

45110-150

THE WEATHER — PARIS: Thursday, cloudy with showers. Temp. 54 (34-61). LONDON: Thursday, cloudy with showers. Temp. 54 (34-61). CHAMPEL: Rain. Temp. 54 (34-61). FRANKFURT: Thursday, cloudy with showers. Temp. 54 (34-61). NEW YORK: Thursday, cloudy. Temp. 54 (34-61). ADDITIONAL WEATHER DATA: The University of Iowa

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

No. 30,816

PARIS, THURSDAY, MARCH 18, 1982

Established 1887



A Salvadoran guerrilla leader, Cayetano Carpio, talks with PLO fighters outside Beaufort Castle in southern Lebanon.

Salvadoran Leader Says Election Will Help Tame Military

By Jim Hoagland
Washington Post Service

SAN SALVADOR — President José Napoleón Duarte has said he expects to emerge from the March 28 elections with new power to control El Salvador's extreme rightists and his government's security forces, which he conceded had established a system of "authority by terror."

The president again dismissed any suggestion that he would ever negotiate with the Marxist guerrillas trying to disrupt the elections and overthrow the civilian-military junta he heads. In an interview Monday night, he also expressed fresh optimism about the course of the war against the guerrillas.

Mr. Duarte's rejection of negotiations and his optimism echoed those expressed by the U.S. ambassador, Deane Hinton, in a separate interview.

"They think they have a winning hand," Mr. Hinton said of the estimated 5,000 guerrillas. "But their leaders are dedicated Communists, he said, the guerrillas are not sincere about negotiations and would use them 'to gain time and to reposition their forces.'"

Both Mr. Duarte and Mr. Hinton expressed skepticism that Mexico could play a leading role in resolving El Salvador's civil war, despite meetings of U.S. Secretary of State Alexander M. Haig Jr. and his Mexican counterpart, Jorge Castañeda.

Mexico is trying to mediate between the United States and Nicaragua, which the Reagan administration accuses of aiding the Salvadoran rebels, as a first step toward ending the war. Asked about the Haig-Castañeda talks during the past two weeks, Mr. Hinton said he had been told by Washington that "there was no discussion of negotiations" on El Salvador. "I have no reason to believe that we contemplated it," he said that "to a certain extent" Mexico might be helpful in ending the conflict. Mexico has allowed the guerrillas to establish "a base for food raising and propaganda activities" in Mexico, and so the Mexican government "should have a little more leverage on these fellows. For all they say about nonintervention, they have already intervened here" on the side of the guerrillas, the ambassador said.

Mexico "should not play the lead, but they are part and parcel" of regional diplomacy to resolve the conflict in El Salvador, he added.

Mr. Duarte, who occasionally hinted at resentment over the American handling of his country's economic, political and military crises, was scathing in his remarks about Mexico.

"I don't see that Mexico has any influence on this," he said. "Mexico is not a Marxist government" and will not be able to pressure the leftist forces or Nicaragua. "They are only playing at it. But Mexico has two policies — internally a dictatorship and externally a Social-Soviet-sympathizing government" that supports revolutionaries.

On other points, Mr. Duarte:

- Disclosed that he had "a moment of tension" with his military commanders about his decision to prosecute five members of the National Guard for allegedly raping and murdering four American religious workers in December, 1980.
- Said that the \$105 million of supplemental economic aid the Reagan administration is proposing to provide this year would be used primarily to buy raw materials to keep people working. That still would leave the country \$300 million short of foreign exchange with which to pay its projected import bill, he indicated.
- Declared that he would welcome U.S. training for his understaffed national and rural police (Continued on Page 2, Col. 1)

Guerrillas Report Raid On City in El Salvador

United Press International

SAN SALVADOR — Guerrillas took over a neighborhood before dawn Wednesday in the eastern edge of San Miguel, a provincial capital 83 miles (133 kilometers) east of here, the clandestine rebel radio station Venceremos said.

The radio said rebels set up barricades, gave lectures and burned a construction company's building and at least one of its trucks. The rebels held the positions until about 10 a.m., the radio said.

Meanwhile, the Christian Democratic Party voted in San Salvador Wednesday to keep President José Napoleón Duarte as provisional president if the party wins a majority in the March 28 election for a constitutional assembly.

In Beirut, a Salvadoran guerrilla leader, Cayetano Carpio, who has been visiting representatives of the Palestine Liberation Organization, told a newspaper he had offered to accept U.S. mediation to resolve the war.

Mr. Carpio told the Lebanese newspaper As Safir that President Reagan "is trying to stage-manage" (Continued on Page 2, Col. 4)

U.S. and Nicaraguan Stories Differ About Guerrilla's Washington Saga

By Barbara Crosscut
New York Times Service

WASHINGTON — U.S. and Nicaraguan officials presented differing versions of events surrounding the trip to the United States of a 19-year-old Nicaraguan who last Friday startled the State Department by recanting his earlier assertions of Nicaraguan interference in El Salvador.

According to department spokesman Dean Fisher, the Nicaraguan, Orlando José Tardencilla Espinosa, came to the United States early last week on a non-immigrant visa issued at the U.S. Embassy in San Salvador.

Mr. Fisher said that after Mr. Tardencilla's appearance before reporters on Friday afternoon, followed by a diplomatic note from the Nicaraguan Embassy seeking to meet the young man, the Nicaraguan had asked to be returned home. "Since Tardencilla had not violated any immigration law by his presence here," Mr. Fisher said, "the State Department decided to grant his wish and to allow him to return to Nicaragua."

Nicaraguan officials say, however, that Mr. Tardencilla had no identity papers or visa of any kind in his possession when he was turned over to Nicaraguan diplomats at the State Department here at about 2:30 a.m. on Saturday. The lack of papers made it difficult to get the young man out of the country, they said, and it was only through the intervention of a Nicaraguan diplomat in Mexico that an airline agreed to fly him from Chicago to Mexico later on Saturday. Mr. Tardencilla returned home from Mexico on Monday.

Officials Unsure

The Nicaraguans believe, based on Mr. Tardencilla's own version of the matter, that State Department officials were unsure last week that the young man would provide the evidence of Nicaraguan involvement in El Salvador that the department was seeking.

Mr. Tardencilla said he was repeatedly interviewed in the unnamed hotel in Washington where he was being held by the U.S. officials, who negotiated with him the terms of his appearance. Among the demands Mr. Tardencilla told the Nicaraguans he had made was that a Spanish-speaking reporter and someone from The Washington Post be present at the briefing. Accounts of Nicaraguans who have spoken with Mr. Tardencilla since his surprise appearance before reporters Friday, portray him as a bright boy who became caught up in the fever of revolution and developed a taste for guerrilla warfare when the Sandinistas fought their way to power in Managua in 1979.

With that guerrilla war over, Mr. Tardencilla turned to the fighting in El Salvador. His decision to join that fight was entirely his own, according to the Nicaraguans, who said he had told them he had entered El Salvador surreptitiously, leaving his identity papers behind in Nicaragua so that he would not be linked to the government in Managua.

Arrested in 1981

Mr. Tardencilla was arrested in El Salvador in January, 1981, and had been in the custody of the Salvadoran Treasury Police, considered the most brutal of the Salvadoran armed forces. According to Mr. Tardencilla, Nicaraguan officials said Tuesday, he had been kept with other "foreign" prisoners, all allegedly free-lance guerrillas. He asserted that he had been tortured while in custody.

At news conferences in El Salvador last year, Mr. Tardencilla told reporters that he was part of a Nicaraguan force operating in El Salvador and that he had been trained in Ethiopia and Cuba.

According to Mr. Tardencilla, he had been asked last month to make videotape recordings of those earlier confessions. He said, according to the Nicaraguans, that a day before he was flown to Washington last week, he was first approached by U.S. officials, two men whom he described as a diplomat and a military man.

They asked him, he said, if he would like to go to the United States and tell his story. He said he told them he would be willing to tell the truth. They then told him, (Continued on Page 2, Col. 5)



U.S. Army troops arrived Wednesday for duty with the multinational Sinai peacekeeping force.

First U.S. Troops Arrive in Sinai For Duty With Peacekeeping Force

By William Claiborne
Washington Post Service

JERUSALEM — The first contingent of U.S. Army troops assigned to the multinational peacekeeping force arrived in the Sinai peninsula Wednesday in preparation for the scheduled April 25 turnover of the Sinai to Egypt by Israel.

The 600 troops of the 82d Airborne Division from Fort Bragg, N.C., arrived at the landing strip at Ophira, in southeastern Sinai near the new U.S.-built headquarters of the Multinational Force and Observers, which will patrol the easternmost sector of the Sinai along the Negev desert.

The troops were flown to Ophira and were reviewed on the tarmac by Gen. Frederik Bull-Haussen, the Norwegian who is to command the peacekeeping force. The only weapons they carried were M-16 automatic rifles, which are allowed under the peacekeeping agreement between Egypt, Israel and the United States.

The American commander of the troops, Lt. Col. William Garrison, said that although the soldiers are technically from the U.S. Rapid Deployment Force, they will be restricted to patrolling and observing the Sinai.

"We do not anticipate any change in our mission. We are assigned to the multinational force, and we will follow the orders of the multinational force," Col. Garrison said.

A total of 3,000 troops from 10 nations are expected to be deployed in the Sinai before Israel makes the April 25 withdrawal from the last third of the peninsula. Another contingent of U.S. Army troops will be stationed at the former Israeli airbase at Eilat, near the Mediterranean coast.

Israel Warns Egypt on Talks

TEL AVIV (UPI) — Israel has warned Egypt there will be no further talks on Palestinian autonomy if Cairo rules Jerusalem out as a venue, Defense Minister Ariel Sharon disclosed Wednesday.

Mr. Sharon, speaking to an audience of academicians, also said the demilitarization arrangements curtailing the size and deployment of Egyptian forces in the Sinai peninsula after the April 25 final Israeli withdrawal were permanent and any change would be "unacceptable to Israel."

The defense minister said he (Continued on Page 2, Col. 7)

West Cool To Soviet Proposal On Missiles

From Agency Dispatches

BONN — West European governments reacted coolly Wednesday to Soviet President Leonid I. Brezhnev's latest arms-control proposals, including the announcement of a halt in deployment of medium-range nuclear missiles west of the Urals.

West Germany called the Soviet announcement of a missile freeze an old proposal aimed at maintaining Moscow's missile superiority in Europe.

A West German government statement on Mr. Brezhnev's proposal, announced Tuesday, said the Soviet action "is dependent on the West refraining from preparations to deploy American Pershing-2 and Cruise missiles.

Unless Moscow reduces or scraps its arsenal of SS-20 missiles aimed at Western Europe, NATO is to deploy 108 Pershing-2 and 464 Cruise missiles beginning in late 1983 in Britain, the Netherlands, Belgium, West Germany and Italy.

The Soviet plan, the West Germans said, "aims to prevent the deployment of American weapons in Europe" and to maintain the current imbalance in this area in favor of the Soviet Union."

In Washington, President Reagan reiterated Wednesday the U.S. "zero option" proposal to remove all land-based nuclear weapons aimed at the continent. He declined to give an interpretation of Mr. Brezhnev's threat to deploy Soviet missiles close to American shores if the United States and its NATO allies carry out plans to place missiles in Western Europe.

"I would think that his concern is unnecessary," Mr. Reagan said in a brief comment after a White House ceremony. "We are meeting now in Geneva. We are in temporary recess, but the negotiations are going on. All they would have (Continued on Page 2, Col. 6)

U.S. and Europe Seen Closer on Mideast Policy

By Joseph Fitchett
International Herald Tribune

PARIS — After differing about the Middle East problem in recent years, the United States and its European allies are moving markedly closer in their approaches to the Arab-Israeli dispute, according to senior U.S. and European officials interviewed last week.

Instead of pressing fresh Western peacekeeping initiatives, governments on both sides of the Atlantic are concentrating on tactical moves. Current priorities, diplomats said, are consolidating the Israeli handover of Sinai to Egypt and keeping the lid on the Lebanese tinderbox, where Israelis, Syrians and Palestinians are at close quarters.

These joint U.S.-European efforts reflect a new degree of Western harmony. "We've buried the hatchet remarkably deep, and we agree both that the problem is scary and that we have momentary run out of big ideas of what to do about it," a U.S. ambassador in Europe said.

The intransigence of both Israel and the Palestine Liberation Organization, heavily influenced by Syria, have stymied Western governments. And the oil glut has helped drown the sense of political urgency about the Middle East, several diplomats said.

Western divergences could erupt again in a crisis, they added, because the United States is separated from its allies over some policy nuances.

For example, the Europeans remain convinced that Israeli accommodation with the PLO is the key to Middle Eastern stability, while the United States is more concerned about strengthening Western military protection of the oil lines.

And although the United States is apparently worried about a realignment of Egypt with the other Arab countries, France and many other Europeans see revived Arab unity as the precondition for new Arab-Israeli peace moves.

Summing up these two schools of thought, a senior U.S. official said: "We're hoping, perhaps unrealistically, that the Begin government will come up with attractive concessions for the West Bank Palestinians. The Europeans, who feel Camp David has run its course, are looking for a revival of the Arab plan of Saudi Crown Prince Fahd to be the starting point for wider talks."

Beneath these analytical differences, however, Western views about diplomatic moves in the Middle East harmonize more closely than on almost any other major issue confronting the alliance.

This convergence emerged with the election of French President François Mitterrand last spring. He was determined to restore French credibility with Israel by abandoning any attempt to pressure the Jewish state — a view long advocated by the United States.

President Reagan, during his conversations last week in Washington with Mr. Mitterrand, congratulated him on his trip to Israel because it symbolized this new French approach, according to a U.S. official.

A high French source said the trip had confirmed French views (Continued on Page 2, Col. 4)

China Warns All States Against Ties to Taiwan

By Michael Parks
Los Angeles Times Service

PEKING — In a formal diplomatic note given to all countries represented here, including the United States, China has warned against any upgrading of present relations with Taiwan.

Asserting that simultaneous relations with China and Taiwan were not acceptable, Peking appeared to demand that even trade and cultural ties with Taiwan, accepted until now, must be broken if they have any official character.

Although the note was intended to counter Taiwan's successful campaign to break out of diplomatic isolation with a growing network of economic and information offices in Europe and Asia, it could be construed as requiring countries such as the United States and Japan to close the large, embassy-like but nominally unofficial missions they maintain on Taiwan and which Taiwan has in its capitals.

"Matter of Definition"

"Unofficial does have always been a matter of definition," an Asian ambassador said Tuesday after studying the Chinese note, but they seem to be taking a much stricter view now. As the note stands, it would certainly require the closing of not just the American and Japanese missions on Taiwan, though they are private in name, but also the British and West German trade offices, the Spanish cultural center, even Thailand's airline office.

The note, delivered Monday, was read by most diplomats, however, as a further attempt to put pressure on the United States in the negotiations over continued U.S. weapons sales to Taiwan, an issue that has brought U.S.-Chinese relations to a virtual crisis. The note reiterates that Peking will oppose any effort to create "two Chinas."

But the note goes further than that, most diplomats said, and it could overturn the basis on which many countries established diplomatic relations with Peking in the 1970s with the explicit understanding that they would be able to maintain unofficial trade and cultural ties with Taiwan.

The note says that no "cultural, trade, economic, commercial, information or liaison offices" could be established in Taiwan or by Taiwan in other countries. That description encompasses most of the representative offices that Taiwan has abroad and that have been established in Taipei.

Offer to Taiwan Unclear

The note, which had not been expected by diplomats here, also appears to undercut the nine-point offer the Communists made six months ago to Taiwan for reunification talks — an offer emphasizing that Taiwan could retain a large measure of autonomy after recognizing Peking as the head of the national government in China. Specifically, the offer promised that Taiwan could retain its economic, cultural and similar ties with foreign countries.

While the Chinese intention may have been to put greater pressure on the Taiwanese to accept the offer, which was rejected as soon as it was made, the effect of the note will more likely be to harden Taiwan's position. This is because the note, if nothing else, would seem to emphasize that Peking's promises are unreliable, according to diplomatic analysts here.

Bureaucratic Compromise

PEKING (LAT) — The Chinese Communist Party journal, Red Flag, said Wednesday that despite the Chinese campaign to streamline the government bureaucracy and to promote younger officials to senior posts, some veteran leaders will stay on, indicating that a compromise has been reached with those resisting retirement.

This answered the question of why Deng Xiaoping, the 78-year-old deputy party chairman, is staying on after launching the rejuvenation effort. It also suggested that Mr. Deng has struck a deal with other "elderly but healthy veterans" whose support he needs for this and other campaigns.

U.S. Seems Unsure About What It Wants in El Salvador

By Philip Taubman
New York Times Service

WASHINGTON — The Reagan administration has tried in recent days to explain to the public its policy on the civil war in El Salvador and, as Secretary of State Alexander M. Haig Jr. said, "put the current state of play in sharper focus."

Instead, some senior officials acknowledge, the result has been increased confusion about the administration's aims, compounded by a sequence of miscues and mixed signals that have left an impression of disorganization and frustration. But the officials insist that the administration has not changed its policies.

"Sometimes I feel like Sisyphus," a senior official involved in developing the Latin American policy said. "Every time we head up the hill to explain or justify our policy, the stone comes crashing down on top of us."

The most recent initiative was a series of meetings between Mr. Haig and the foreign minister of Mexico, Jorge Castañeda de la Haza, which to some people appeared to signal that the administration favored seeking a negotiated settlement to the problems in Central America. But Mr. Haig moved quickly to discount the prospects for negotiation, saying there was no reason to assume that Nicaragua would accept U.S. and Mexican proposals to settle its differences with El Salvador and the United States.

Administration officials acknowledged that their efforts had sometimes been uneven and careless, but they asserted that several consistent policy themes underlay both recent and past actions.

The developments left unclear whether the administration was seriously supporting negotiations, including a role for Mexico as mediator, or was primarily interested in soothing Mexican feelings and creating a positive impression for the U.S. public.

Additional confusion about the administration's intentions was generated by comments Saturday by Mr. Haig, who asked not to be identified at the time in news accounts. Mr. Haig said that the problem in El Salvador was global in nature and that the United States should involve the Soviet Union, Cuba and other Latin American nations in the search for a solution.

On Monday, Mr. Haig clarified his remarks by saying: "That does not mean, or did it ever mean, that the Soviets, or the Cubans for that matter, must be invited to the negotiating table. Not at all."

Critics contend that the administration has no clear, coherent policy for Central America, but rather is lurching from one notion and initiative to another.

In the case of Mexico, they said, Mr. Haig's discussions with Mr. Castañeda served several purposes. One was to make amends for the administration's initially cool reaction to Mexican negotiation proposals first presented last month by President José López Portillo on a visit to Nicaragua.

A broader reason for encouraging Mexican mediation efforts, senior officials said, was a hope that if the effort fails, as the administration expects it will, the Mexican government will be braced by the rejection and will better appreciate the threat to its security presented by Soviet and Cuban interference in Central America. "We want them to learn a lesson," a senior official said.

That attitude, which critics within the administration consider patronizing, stems from a widely held belief among senior policy-makers that the Mexican government has argued that the ultimate danger of conflict in Central America is the unrest will spread to Mexico and eventually spill over the border into the United States in the form of a new wave of refugees and unrest among millions of Mexican-Americans.

Some administration officials said that Mr. Haig and others had also considered the domestic political benefits that might result from encouraging a negotiated settlement. They noted that public opposition to the administration's policy appeared rooted in a fear that U.S. combat troops might be sent to El Salvador.

The tone, they said, was intended for Nicaraguan, Cuban and Soviet consumption, part of a strategy to keep pressure on those nations to moderate their policies in Central America.

Some officials said Mr. Haig had gone too far in using strident language, which caused alarm in Congress and with the public. "One of the problems we've had is that Al Haig scared everyone," an official said.

Several officials suggested that plans for covert actions in Central America had been intentionally disclosed to reporters in hopes that news accounts about them would further intimidate the Nicaraguans.

Recanted Statements

Administration officials offered few excuses for some of the miscues that marked intelligence briefings for Congress and the public. They said that Mr. Haig had been too quick to charge that Salvadoran authorities had captured a Nicaraguan military man in El Salvador two weeks ago, but they also blamed the press for expanding that statement into a major story. Mexican officials identified the man as a Nicaraguan student who had been captured while traveling overland through El Salvador on his way home.

The turnaround last Friday by a Nicaraguan guerrilla who recanted previous statements about Cuban and Nicaraguan aid to the Salvadoran insurgents was attributed to poor staff work by the State Department and the CIA. "They just failed to spot this guy's true intentions," said an intelligence official.

The one public briefing that did go well in the administration's view was the release of aerial reconnaissance photographs showing what intelligence officials said was a major, Cuban-assisted military buildup in Nicaragua. Several officials said, however, they were disappointed that intelligence agencies had refused to take the additional step of making public evidence that showed how the Nicaraguans were using their new military strength to aid Salvadoran insurgents.

When that evidence, which apparently includes electronic intercepts of radio communications between Nicaragua and El Salvador, was given to congressional committees and to two dozen former senior government officials, the reaction was largely favorable. Most of those briefed said they were persuaded that Nicaragua was aiding the Salvadoran rebels.

Administration officials said they had decided not to make this information public because it might prompt the Nicaraguans and Cubans to alter their communications and make it impossible for the United States to continue collecting intelligence.

PLO's Long-Range Arms Change Israeli Border Equation

By Drew Middleton

NEW YORK — The military confrontation between the Palestine Liberation Organization (PLO) and Israel along the border between Israel and Lebanon has taken on new dimensions, with the PLO now able to attack most of the cities and towns in northern Israel at long range.

Western and Israeli military analysts say that a steady stream of long-range guns, rockets and mortars has been reaching southern Lebanon in the last two months. These weapons, all with a range of approximately 15 miles (24 kilometers), include about 100 130mm guns, 60 122mm rockets and their launchers and a large number of 120mm and 160mm mortars, all produced in the Soviet Union.

Analysts concede that it would be difficult for Israel to destroy the weapons because all are mobile and easily hidden.

This development has aroused fears in Washington and some

North Atlantic Treaty Organization capitals that Israel might move ground and air forces into southern Lebanon to eliminate the PLO forces. Intelligence sources estimate that there are 15,000 PLO

NEWS ANALYSIS

guerrillas in Lebanon, with roughly one-third of them operating in the area south of the Litani River. At the moment, the analysts said, the ground in southern Lebanon is too soft — a result of winter rains — to permit extensive deployment off the main roads. But they said that the military and political situation in the area would appear to indicate early action, even at the cost of some delays in moving troops through the countryside.

Syria, which has the most powerful Arab ground and air forces in the region, including 25,000 troops in Lebanon, has only recently completed an extensive action against Moslem Brotherhood in-

surgents in Hama, a city in western Syria. Analysts believe that Syrian concern about further uprisings, and indications of widespread disaffection in the army and air force, would prevent any forceful military reply to an Israeli movement into Lebanon.

Diplomats familiar with the region do not expect other Arab countries to intervene if the Israelis attack. Jordan has been extremely cautious, one source said, about allowing PLO forces to operate from its territory, although several groups have tried to enter the country equipped with long-range weapons.

Egypt, preoccupied with the final phase of the return of the Sinai Peninsula on April 25, is unlikely to do anything that would prevent the completion of that process.

One American analyst said that Egypt's preoccupation with Sinai might prompt an Israeli move into Lebanon before April 25. In his view, the Egyptians, although they might protest, would take no ac-

tion, and this in turn could widen the existing differences between Cairo and more aggressive Arab nations.

Among Israeli sources, there is a strong belief that the PLO will use its long-range weapons against military targets, including depots and forward airfields, as well as the towns and hamlets of northern Israel.

In addition to the flow of heavy weapons, there has been a steady reinforcement of the PLO in Lebanon. This has been qualitative as well as quantitative, one Western source said. It includes trained volunteers from Iraq, Libya and Southern Yemen. Others are engineers who oversee the building of defensive works in the area of Nabatieh and Boufeir.

Israeli aerial reconnaissance has also reported a buildup in stocks of ammunition, gasoline and food at PLO positions. Long-range weapons are concealed by day and then moved by night to potential firing positions.

Last fall, Israeli intelligence was concerned about the possible use of two PLO brigades that had been armed and organized for conventional warfare. That concern has lessened, although the arms for the brigades are available.

The situation as it is now perceived is that if Israel moves into Lebanon, the PLO will use its long-range weapons to harass the forces.

Israel's strongest card in that case would be the air force. Analysts estimate that Israeli planes would be able to operate without serious interference from the Syrian Air Force but that the Israeli high command would have to anticipate the possible transfer of Syrian surface-to-air missiles and their crews to the PLO.

There are reports, which cannot be substantiated, that the PLO has asked Syria to supply surface-to-air missiles. Syria has 32 missile batteries and is due to receive more SAM-6s and SAM-7s from the Soviet Union this year.



Relatives of some of the 33 rightists being tried on charges of attempting a coup arrive at the military compound where the trial is being held. One of the main defendants, Lt. Col. Antonio Tejero Molina, testified Wednesday. The newspaper headline reads: "Tejero Is Not the Villain."

Salvadoran Leader Says Vote Will Help Tame the Military

(Continued from Page 1)

forces as a way of curbing excessive violence at the hands of the army and National Guard, which now have most of the responsibility for internal security. U.S. congressmen who oppose such training "create more problems for us than they know."

Speaking in slow but surely expressed English during the meeting in his newly decorated presidential palace, Mr. Duarte appeared confident that his election campaign would provide his Christian Democratic Party with either an absolute majority of 31 seats in the Constitutional Assembly, or with enough seats to dominate a coalition government.

Although the assembly is empowered to write its own mandate, it is expected to elect an interim

president to serve for one year while a new constitution is being written and new elections are being organized.

The Reagan administration frequently describes Mr. Duarte as a centrist, but in this campaign he occupies the left of the spectrum. The far right has denounced him as a pseudo-Marxist who has destroyed the economy through land reform and will sell the country out to the guerrillas. Former Army Maj. Robert D'Aubuisson, the most prominent challenger to Mr. Duarte, has promised to wage "total war" against the rebels if elected.

"They are selling the peace of death, the peace of destroying everything," Mr. Duarte said of Mr. D'Aubuisson and his supporters. But Mr. Duarte said the elections will force the extreme right "to accept the rules of the democratic game" and to abandon violent confrontation as a means of seeking power.

"The people will have made their decision, and the extreme right will be bound by these results, like it or not. They won't be able to argue any longer that this government is not legitimate. If they continue to call for coups, that will be sedition and it will be punishable by law."

Reflecting a shift from past automatic denials by the government that its forces have been responsible for a significant part of the estimated 30,000 killings in the past two and one-half years, Mr. Duarte said the elections would give the new government more authority over the military.

"Two years ago, we had [human



José Napoleón Duarte

rights] abuses in almost every town. We still have some today, but much, much less. Now, it is not systematic and not over all the country. We have taken actions of control, and of punishment," Mr. Duarte said.

He asserted: "The extreme left is not interested in negotiations or democracy. These so-called negotiations would be nothing but an effort to get an unconditional surrender, or a military negotiation such as the one the United States had in Paris about Vietnam."

Mr. Duarte repeated his willingness "to dialogue" with the guerrillas and their political spokesmen "if they accept that the solution here is not a violent or a military one, but a democratic one" that recognizes the legitimacy of the government to be elected March 28. The guerrillas have boycotted the election.

U.S. and Europe Seen to Move Closer on Mideast Approach

(Continued from Page 1)

that there was no early hope of dialogue between Israel and the PLO.

With France abandoning its bid to swing Europe behind the Arab cause, the European Economic Community appears unlikely to agree again soon about any move,

such as the now shelved European initiative, which would be at odds with U.S. diplomacy in the Middle East, diplomats said.

Other major European governments are reluctant, without French leadership, to engage the Arab-Israeli issue. West Germany, stung by Israeli accusations of anti-Semitism, has retreated to tend its Arab economic relations. Britain, too, appears to have adopted a lower profile. In Italy, Premier Giovanni Spadolini is strongly pro-Israeli compared with his predecessors.

Rebels Raid Salvador City

(Continued from Page 1)

El Salvador's forthcoming elections... We will prevent this to confront Reagan with two choices: Either intervene directly as it happened in Vietnam, or act as a go-between in a dialogue between us and the rebels.

The newspaper said the 62-year-old Salvadoran rebel leader spent 10 days with PLO guerrillas, inspected their field positions and met with Yasser Arafat, the PLO leader. In a speech last January, Mr. Arafat said Palestinian guerrillas were serving in El Salvador and Nicaragua.

The Salvadoran rebels' new offensive came as the U.S. ambassador to El Salvador, Deane Hinton, warned that violence there would get worse. "There will be a lot of bang-bang, a lot of boom-boom," he said at a press conference Tuesday, citing intelligence reports.

For the second day in a row, guerrillas made bold afternoon attacks Tuesday on government soldiers backed by armored personnel carriers in San Salvador's northern suburbs of Ciudad Delgado and Cuscatlan.

Mr. Duarte, the leader of the Christian Democrats, has been under increasing criticism within the party for his role as head of the military-civilian junta. But Wednesday's party convention of about 2,000 delegates gave Mr. Duarte unanimous approval on a voice vote. It was seen as a vote of confidence by the party for Mr. Duarte and his reform programs designed to cut off support for leftist guerrillas battling the U.S.-based government.

"I accept the call to steer the ship that has been given to me," Mr. Duarte said in response to the nomination.

In the March 28 elections, voters will choose delegates who will have the power to overhaul the constitution and appoint a provisional government to replace the four-man ruling junta in power since an October, 1979, coup.

Reagan Fears 'New Cubas'

WASHINGTON (AP) — President Reagan, warning that "new Cubas" could arise from the economic misery in Central America and the Caribbean, said Wednesday that El Salvador should get a third of the \$30 million in emergency aid he is seeking for the region.

"El Salvador's economy is in desperate straits," Mr. Reagan said in a message sent to Congress with his aid plan. "The insurgents have used every tactic of terrorism to try to destroy it."

The well-being and security of our Caribbean neighbors are in our own vital interest," he said. "Economic disaster is consuming our neighbors' money reserves and credit. It is forcing thousands of people to emigrate and threatening even the most established democracies."

As indicated when Mr. Reagan disclosed the initiative in a speech to the Organization of American States last month, there was no aid included for Nicaragua. Reagan aides said government-to-government aid for Nicaragua was cut off last April.

In addition to the \$128 million being sought this year for El Salvador, the president is seeking \$70 million for Costa Rica, \$35 million for Honduras, \$50 million for Jamaica, \$40 million for the Dominican Republic, \$10 million for the "island mini-states" of the eastern Caribbean, \$10 million for newly independent Belize, \$5 million for Haiti and \$2 million for the Latin American Regional-American Institute for Labor Development.

DEATH NOTICE

Mr. Costi Eliasos regrets to announce the death of Mr. Costi ELIASOS, Former Governor of the National Bank of Greece and the Bank of Athens, Minister of Greek Tourism and Commander of the French Legion of Honor who died in Paris on March 11, 1982 at the age of 89. Services will be held on Friday, March 19 at 3:30 p.m. in the Church of the First Cemetery of St. Theodore in Athens.

Spanish Colonel Says Rebellion Was Modeled After 'Turkish Coup'

Reuters

MADRID — The flamboyant officer who stormed the Spanish parliament with Civil Guards a year ago testified at his trial Wednesday that he was trying to spearhead a bloodless "Turkish coup."

Lt. Col. Antonio Tejero Molina said the coup leaders planned to set up a military government similar to the one established in Turkey after the 1980 coup there to give Spain "a change of course."

It was the first time the Civil Guard officer had spoken in public since he surrendered in the Cortes (parliament), telling the ministers and deputies he had held hostage for 18 hours: "You go free; I shall be sent down for 30 years."

He could be sentenced to up to 30 years in prison by the court martial that is trying 32 officers and one civilian on charges of staging a military rebellion.

Col. Tejero stood to attention and clicked his heels when he took

the stand. He explained that he had planned to storm either parliament or the premier's residence and hold the country's highest civilian authorities to avoid setting off a civil war.

Security Check

Col. Tejero said he chose the parliament because security measures had been increased around the premier's residence. He said he planned the Feb. 23 takeover of parliament on orders from Lt. Gen. Jaime Milans del Bosch, then commander of Valencia. He said he was later told by a major in the military intelligence service that the real coup leader was Maj. Gen. Alfonso Armada Comyn. He said he was told that the general had the support of King Juan Carlos.

He said Gen. Armada, then deputy army chief of staff, gave him final orders 48 hours before the coup attempt and told him he had been in contact with the United States and the Vatican.

Gen. Armada has denied meeting him before the takeover.

Col. Tejero said he was not a monarchist but had accepted plans for "a military government to strengthen monarchy, reform the weak points of the country's [1978] democratic constitution, to end the race to regional autonomy, to put an end to terrorism and to freeze Marxism."

He said his mission was to prevent members of parliament from leaving the building until an unidentified military leader, whom he believed to be Gen. Armada, came to announce the plans.

Gen. Armada has told the court that he offered to head a government only after the coup attempt was under way and that he was trying to end the siege of parliament. He said Col. Tejero rejected his plans to set up a civilian Cabinet.

Col. Tejero said he had fired in the air in the parliament chamber because he found himself isolated from his men.

W. German Suspected Of Faking Kidnapping

Reuters

GRANADA — Spanish police said Wednesday that they had detained the wife of West Germany's honorary consul here on suspicion of faking her own kidnapping for ransom.

A magistrate is to decide whether the woman, Maria Magdalena Horwitz, 55, who disappeared for three weeks last summer, will face charges. Her husband received two ransom demands, but no money was paid, the police said. They said the consul has been cleared but that several people have been arrested in West Germany in connection with the disappearance.

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

Save up to 50% Subscribe by April 30*

* That's the date the rates go up.

But if you act now you can benefit from the rates listed below. We'll make sure you get the International Herald Tribune in your office or your home every day. Saving money (up to 50% off newsstand prices depending on your country of residence). Making valuable time.

World news, world business, world

culture and entertainment, shaped to fit the successful person's work-style. It's compact and complete.

Comprehensive global coverage in a global context. The decision-maker's necessary world's-eye-view.

Printed simultaneously in Paris, London, Zurich and now Hong Kong, it's the only truly international daily.

Decide on it today. Subscribe right away.

COUNTRY	12 months	6 months	3 months	COUNTRY	12 months	6 months	3 months	
Africa (air)	5	330.00	165.00	92.00	Lebanon (air)	5	240.00	120.00
Algeria (air)	5	330.00	165.00	92.00	Libya (air)	5	240.00	120.00
Arabic, ex-Fr. comm. (air)	5	230.00	115.00	63.00	Luxembourg (air)	5	2,700.00	1,350.00
Arabic, others (air)	5	330.00	165.00	92.00	Malaysia (air)	5	240.00	120.00
Australia (air)	5	230.00	115.00	63.00	Mexico (air)	5	220.00	110.00
Austria (air)	5	2,700.00	1,350.00	736.00	Monaco (air)	5	330.00	165.00
Belgium (air)	5	2,700.00	1,350.00	736.00	Nicaragua (air)	5	150.00	75.00
Canada (air)	5	230.00	115.00	63.00	Netherlands (air)	5	400.00	200.00
Ceylon (air)	5	330.00	165.00	92.00	Norway (air)	5	810.00	405.00
Cyprus (air)	5	150.00	75.00	37.50	Poland (air)	5	180.00	90.00
Denmark (air)	5	230.00	115.00	63.00	Poland (air)	5	220.00	110.00
Dominican (air)	5	990.00	495.00	270.00	Polynesia, French (air)	5	340.00	170.00
Egypt (air)	5	240.00	120.00	60.00	Portugal (air)	5	2,700.00	1,350.00
France (air)	5	330.00	165.00	92.00	Romania (air)	5	330.00	165.00
Finland (air)	5	810.00	405.00	225.00	Saudi Arabia (air)	5	240.00	120.00
Germany (air)	5	330.00	165.00	92.00	South Africa (air)	5	140.00	70.00
Greece (air)	5	360.00	180.00	100.00	Spain (air)	5	1,600.00	800.00
Great Britain (air)	5	540.00	270.00	150.00	Sweden (air)	5	810.00	405.00
Hong Kong (air)	5	2,600.00	1,300.00	700.00	Switzerland (air)	5	330.00	165.00
India (air)	5	230.00	115.00	63.00	Taiwan (air)	5	230.00	115.00
Iran (air)	5	240.00	120.00	60.00	Turkey (air)	5	330.00	165.00
Iraq (air)	5	240.00	120.00	60.00	U.S.S.R. (air)	5	330.00	165.00
Israel (air)	5	230.00	115.00	63.00	U.S.S.R. (air)	5	230.00	115.00
Italy (air)	5	240.00	120.00	60.00	U.S.A. (air)	5	230.00	115.00
Japan (air)	5	240.00	120.00	60.00	U.S.A. (air)	5	230.00	115.00
Korea (air)	5	14,000.00	7,000.00	3,500.00	U.S.S.R. (air)	5	330.00	165.00
Lebanon (air)	5	330.00	165.00	92.00	U.S.S.R. (air)	5	230.00	115.00
Malaysia (air)	5	240.00	120.00	60.00	U.S.S.R. (air)	5	230.00	115.00

Attention: Subscription Manager
International Herald Tribune
181 Avenue Charles-de-Gaulle
92521 Neuilly Cedex,
France
Telephone: 747.12.65, Telex: 612832.

Yes, I want to receive the International Herald Tribune
at my:
☐ home ☐ office address opposite for:
☐ 12 months ☐ 6 months ☐ 3 months
and save up to 50% off the newsstand price.

Rates effective through April 30, 1982.

THIS OFFER VALID FOR FIRST-TIME SUBSCRIBERS ONLY.

Name 18-3-82

Address

City Country

Job/Profession

Company activity

Nationality

IMPORTANT: Payment must be enclosed with this form to validate your subscription. Please make checks payable to the International Herald Tribune. Do not send cash.

Preferential tariffs are available upon request.

Britain Blocks EEC Wine Accord

The Associated Press

BRUSSELS — Britain blocked Wednesday a plan to ease the French-Italian wine war, continuing its veto over European Economic Community farm policies to win financial concessions from its partners.

In a stormy final session of a three-day meeting, agriculture ministers from the 10 countries failed to reach agreement on any key issues and notably on farm prices for 1982-83. The failure left it up to heads of government at a March 29-30 summit meeting to reach a solution.

Britain has blocked farm agreements to try to end its perennial role as a high payer into the EEC budget and low recipient of benefits. On Wednesday, Britain blocked a French-Italian plan to remove 6.5 million hectoliters of Italian wine from the market by turning it into alcohol. French Farm Minister Edith Cresson, meanwhile, threatened to try to override Britain's veto by trying to push through a majority vote. She said there was also a possibility France would unilaterally introduce farm price increases.

Tass Condemns U.S. Maneuver Plans

The Associated Press

MOSCOW — Tass denounced Wednesday U.S. plans to hold naval exercises in waters near Libya as "saber-rattling," and said the move would increase tensions in the region.

U.S. Navy Secretary John F. Lehman Jr. indicated Tuesday that the U.S. 6th Fleet probably will conduct exercises in the disputed Gulf of Sidra within the next six months despite warnings from the Libyan leader, Col. Moammar Qadhafi, that it could lead to war. Libya accused the United States of planning an invasion.

In August, two U.S. Navy fighters from the carrier Nimitz shot down a pair of Libyan planes over the gulf about 60 nautical miles from the Libyan coast after what the Pentagon called an "unprovoked attack."

Sandinistas Shut Newspaper for Day

United Press International

MANAGUA — The Sandinista regime Wednesday closed a pro-government newspaper for one day for printing what it called a false account of its new emergency powers.

El Nuevo Diario published in its Tuesday edition an article headlined "State of Siege" in which it described the new powers assumed Monday by the government.

The Sandinistas Monday suspended many constitutional rights for at least 30 days to counter what they called the threat of U.S.-backed attacks by exile groups. The Ministry of Interior said El Nuevo Diario was wrong to call the new powers a state of siege "because in our country, there is no 'state of siege' power, but only a 'law of emergency'."

U.S. Troops Arrive in Sinai

(Continued from Page 1)

made both points clear to the Egyptians on Prime Minister Menachem Begin's orders. Earlier Wednesday, Mr. Sharon saw Egyptian Foreign Minister Kamal Hassan Ali off at Ben-Gurion International Airport.

Mr. Ali and Egypt's minister of state for foreign affairs, Butros Ghali, concluded a three-day visit to Israel. The meetings failed to resolve differences over demarcation of the permanent border and a possible visit by Egyptian President Hosni Mubarak to Israel.

"Should this situation change," he said, "it will be unacceptable to Israel. I made it clear to the Egyptians in the best of spirits."

Both sides decided to have further talks on the border issue next month.

The prime minister asked me to tell the Egyptians — and I did tell them — that in the future the autonomy talks must take place in Jerusalem, Cairo or in Washington.

Cosmos-1343 Is Launched

United Press International

MOSCOW — The Soviet Union launched Cosmos-1343 on Wednesday "to continue the exploration of outer space," Tass reported.

Regan Says Congress Unlikely to Find Way To Improve '83 Budget

United Press International
WASHINGTON — Treasury Secretary Donald T. Regan rejected Wednesday proposals to delay tax cuts and challenged Congress to find workable ways to change the fiscal 1983 budget.

Reagan Eases Label Policy On Cigarettes

By Christine Russell
Washington Post Service

WASHINGTON — The Reagan administration has backed away from its recent endorsement of legislation to put stronger health warning labels on cigarette packages.

The about-face came as top health officials appeared before the Senate Labor and Human Resources Committee Tuesday, presenting testimony that Sen. Robert Packwood, Republican of Oregon, characterized as "substantially weaker" than that presented last Thursday before a House health subcommittee.

Sources indicated that the Department of Health and Human Services was surprised late Monday when the White House Office of Management and Budget failed to give the expected approval to testimony submitted for clearance, and health officials were told not to talk about specific legislation.

One source said, "This is reflective of ongoing efforts of the tobacco industry... and continues to demonstrate their strength at frustrating the process."

Sen. Packwood Tuesday asked what had happened since last week to alter the administration's recent "staunch support" of the legislation. He suggested that "somebody talked to somebody in your department and said, 'Tone down the testimony.'"

Assistant Secretary for Health Edward N. Brandt Jr. would only say that the administration "supports stronger health warnings," but the "specific wording" and "the way in which they are to be used" is "still being studied."

Last week, with administration approval, Dr. Brandt testified: "We support the bill's requirements for strong health warnings because we believe they would increase the public's knowledge of the hazards of smoking and make it possible for smokers and potential smokers to make better-informed judgments as to whether to continue smoking or begin smoking."



Police Chief Robert Ruble displaying his guns.

U.S. Town's Law Urging Ownership Of Guns Will Backfire, Some Fear

The Associated Press

KENNESAW, Ga. — A new law in this town of 7,000 requires citizens to own guns, and some residents say they fear a return to the street shootings of the Wild West.

The City Council voted unanimously Monday night to enact the law. But there are no penalties for violations and no plans to enforce the law.

It was intended as "a kind of protest-type legislation" against gun-control laws, Councilman Jerry Worthan said Tuesday. "We're saying, 'Hey, you're taking away some of our rights.' You get a little tired of hearing what you can and what you can't own," Mr. Worthan said.

The Kennesaw ordinance, effective next Wednesday, states: "In order to provide for and protect the safety, security and general welfare of the city and its inhabitants... every head of household residing in the city limits... is required to maintain a firearm, together with ammunition."

"I'm 100 percent for it," the police chief, Robert Ruble, said. "I think we're putting a message out to criminals: Stay out of Kennesaw."

But many residents considered the ordinance a joke. "I think it's a stupid order, by golly," said E.H. Epps, a retired postmaster. "I think it's going to bring back a bit of the Old West — people trying to outdraw the other guy."



President Reagan helping volunteers in Fort Wayne, Ind.

Reagan Helps Indiana Flood Team Toss Sandbags Along River Bank

Los Angeles Times Service

FORT WAYNE, Ind. — President Reagan briefly joined tensed volunteers in tossing sandbags along the bank of a flooded river Tuesday after deciding on impulse to fly here to see the devastation caused by this area's worst flooding since 1913.

"Right here along this river I think is something that should be an inspiration to everyone," Mr. Reagan said. "These young people told me they saw this on television and that's why they're here. They're all volunteers. One young lady told me she's been here for three days."

Looking out of place in a dark suit with a white handkerchief in the breast pocket, Mr. Reagan tossed about a dozen filled sandbags in a work line along a dike of the St. Marys River. The floods in this area left an estimated 3,800 persons homeless and caused an estimated \$16.3 million worth of damage, city officials said.

An area farmer, Greg Miller, complained to the president that the federal government had been slow in processing an emergency loan he had applied for after suffering \$100,000 in flood damage last year. Mr. Miller said that of 670 farmers eligible for the loan, only 10 had received any money, and he was 10 days away from planting and needed the cash. Mr. Reagan promised to call the secretary of agriculture, John R. Block, and look into the matter.

Accused Kidnapper Says He Spared Dozier

From Agency Dispatches

VERONA, Italy — Giovanni Cucchi, the Red Brigades terrorist who was holding a gun to the head of Brig. Gen. James L. Dozier when police broke in to free him, testified Wednesday that he had enough time to kill the NATO general, but did not do so for humanitarian reasons.

Mr. Cucchi, 32, and 16 others are on trial for kidnapping Gen. Dozier from his home here Dec. 17. Nine of the accused were in court and the eight others, still at large, were being tried in absentia.

Mr. Cucchi, one of five arrested in the police raid that freed the general Jan. 28, described the last minutes of their hostage's 42-day captivity.

Police Spotted
He said that Antonio Savasta, 27, the gang leader, spotted police from the apartment window and passed out guns and a grenade to those in the apartment.

"I went into the tent where the general was sleeping and pointed the gun at him," Mr. Cucchi said. "We knew [the raid was going to take place] about a minute before the police broke in. If I wanted, I had the time to kill the general, but I didn't think of doing it because at that moment I didn't see him as an enemy, but as a human being."

"Dozier woke up when police broke the door down. I reassured him, at least with gestures, that nothing would happen to him," Mr. Cucchi added.

He said that the Red Brigades would have held Gen. Dozier captive for a long time if police had not located the apartment in Padua.

"Our intention was to keep Dozier hostage for a long time. We

Reagan to Exempt Some Colleges From Rights Laws

New York Times Service

WASHINGTON — The Reagan administration, shifting a long-standing position of the federal government, has decided to exempt from key civil rights laws colleges where guaranteed student loans are the only form of federal aid.

A White House official said Tuesday that President Reagan made the decision last week after members of his staff had reached a consensus on the issue in two meetings with officials of the Justice and Education departments. Administration officials said the principal advocate of the change was Edwin Meese 3d, the White House counselor.

The decision was not announced publicly. The White House official, who asked not to be identified, disclosed it Tuesday, and expressed the fear that it would create additional problems between the administration and members of minority groups.

The president's decision is the latest action to narrow the applicability of civil rights laws. Civil rights organizations protested earlier this year when the administration shifted another previous federal practice and said it would permit tax exemptions for schools that practice racial discrimination.

Portugal Train Strike Ends

Reuters

LISBON — Portugal's train drivers ended an eight-day strike Wednesday, a few hours after being called back to work by the government under a civil conscription order.

3 in Congress Defeated in Illinois Vote

Governor Nominated In Opening Primary

The Associated Press

CHICAGO — Three Illinois congressmen, including Republican Tom Rallsback, a prominent Judiciary Committee member during the Watergate inquiry, have been defeated in primary elections. Edward J. Derwinski, a Republican, and John G. Fary, a Democrat, also were defeated Tuesday. Rep. George M. O'Brien defeated Rep. Derwinski, and William Lipinski, a Chicago alderman, beat Rep. Fary. The redistricting cut two of the state's 24 House seats and placed Reps. O'Brien and Derwinski in the same district.

New Rightist Defeated

The Republican governor, James R. Thompson, defeated two candidates. He will face former Sen. Adlai E. Stevenson 3d in November in his bid for a third consecutive term. Mr. Stevenson was unopposed. The speaker of the Illinois House, George Ryan, was leading in the race for lieutenant governor. Mr. Ryan was the preferred running mate of Gov. Thompson.

In other voting, Rep. John N. Erlenborn, a Republican, won easily over state Sen. Mark Q. Rhoads, identified with the New Right conservative movement, and two token candidates.

Other Illinois incumbents who sought re-election were either unopposed or won easily. Included were Robert H. Michel, the House Republican leader; Dan Rostenkowski, the Democratic chairman of the Ways and Means Committee; and brothers Philip M. and Daniel B. Crane, both Republicans.

Illinois was the first of 50 states to hold congressional primaries this year. President Reagan's policies and the economy were not major factors in most campaigns, which tended to focus on personalities, local issues and reapportionment.

Mr. Rallsback was upset by Republican state Sen. Kenneth McMillan in the only race dominated by national issues. "Maybe the majority of Republicans wanted someone more conservative than I," he said in conceding defeat.

Rep. Derwinski, 55 and a 24-year veteran of the House, said that he was unable to overcome a geographical advantage that went to Rep. O'Brien because of redistricting.

The race between Rep. Fary and Mr. Lipinski was billed by some as a proxy match between Mayor Jane Byrne and the Cook County state's attorney, Richard M. Daley, son of Chicago's late mayor and a possible challenger to Mrs. Byrne in next year's city election.

Mr. Di Leonardo, 23, in a written complaint to court earlier this week, said that police gave him electric shocks and genitalia burned him there, and on the tongue with an instrument that looked like a cigarette and beat him.

Armando Lanza, 32, who has agreed to testify, also claimed in a written statement that police gave him electric shocks and tied him to a radiator for four days. Police have denied the allegations of torture.

Nestlé Details Plans for Meeting Baby-Food Code

United Press International

WASHINGTON — Nestlé, the world's largest supplier of infant formula, has announced guidelines for the company to comply with a United Nations code aimed at encouraging breast-feeding.

The code, passed last May by the World Health Organization on a 93-9 vote, bans baby pictures on formula packages and advertising, prohibits promotion gimmicks, restricts free samples and requires that labels and accompanying information state the superiority of breast-feeding.

The Nestlé code, announced Tuesday, includes a statement intended for health workers to tell mothers. The statement begins, "Breast-feeding is best for babies... Mothers should always seek medical advice before introducing a complement or a replacement for breast milk to their babies."

An official of the Washington-based Nestlé Coordination Center for Nutrition said the company will adhere to the code even in countries that have not made it a law. The company also said it will set up a committee in the United States to investigate any complaints that Nestlé is violating international codes.

DIAMONDS

YOUR BEST BUY

Single diamonds at wholesale prices by ordering direct from Antwerp, the world's most important cut-diamond market. Give diamonds to the ones you love. Buy for investment, for your enjoyment. Write annual free price list or call us.

Joachim Goldstein
diamondexport
Established 1988
Philadelphia 22, E-2000 Artway
Belgium - Tel: Q1348751
- Tel: 7178 syl h.

at the Diamond Club Bldg.
Gold Medal

1-800-333-3333

Bell System

Save on surcharges. Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and call. No Teleplan? Read on!

There are other ways to save money. Save with a shortie. In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. And you pay for the callback from the States

with dollars, not local currency, when you get your next home or office phone bill.

Save these other ways. Telephone Company Calling Card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

Save nights & weekends. Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable. Now you'll get more mileage for your money.

Report Says 'New Federalism' Plan Would Hurt U.S. States Financially

By Spencer Rich
Washington Post Service

WASHINGTON — President Reagan's proposed "New Federalism" program would not fully compensate the states for their own responsibilities under the plan, but rather would cost them \$15 billion in lost federal aid in its first year, fiscal 1984, the Congressional Budget Office says.

Mr. Reagan proposed on Jan. 26 that the states take over the food stamp program, Aid to Families with Dependent Children and about 40 other smaller programs. In return he said the federal government would take over Medicaid and create a temporary \$28-billion trust fund for the states. The president contended that it would be an even trade.

However, Alice Rivlin, director of the budget office, told the Senate Governmental Affairs Committee Tuesday that the program would cost the states \$15 billion in federal funds if it is approved as proposed by the White House.

One reason for the difference is

that the administration assumed many of the programs to be taken over by the states would first be cut, as proposed in the president's fiscal 1983 budget. In other words, it assumed that the states would be taking on smaller and less costly programs in 1984.

Those cuts, however, are meeting strong resistance in Congress, and the Congressional Budget Office did not assume that they would be made, basing its calculations on the law as it was at the end of 1981. A second reason for the budget office's differing estimate is that it predicts higher inflation rates than the administration does, meaning that programs to be taken over by the states would cost more by 1984.

A spokesman for the National Governors' Association said the budget office's figures confirm the association's own analysis but that the White House has said it is willing to adjust the figures based on actual appropriations for fiscal 1983.

The budget office director said the administration estimated that in 1984 the states would assume \$16.5 billion in costs from taking over Aid to Families with Dependent Children and the food stamp program and \$30.2 billion from taking over the 40 smaller programs, a combined added burden of \$46.7 billion. The administration said the federal government would compensate the states by taking over \$19.1 billion in Medicaid costs and by setting up for the states a trust fund of \$28 billion, for a total of \$47 billion in offsetting funds.

She said that the budget office calculated, however, that the states' costs would increase \$20.6 billion as a result of taking over the Aid to Families with Dependent Children and food stamp programs and would be \$41.4 billion higher because of the 40 smaller programs, for a total of \$62 billion. The \$47 billion from the federal government would leave the states \$15 billion short of being fully compensated, she said.

Senator Says Reagan Is Curbing Congress' Access to Secret Data

By Steven V. Roberts
New York Times Service

WASHINGTON — A senior Democrat on the Senate Intelligence Committee has accused the Reagan administration of severely restricting the flow of secret information to Congress.

Sen. Joseph R. Biden Jr. of Delaware said Tuesday that the policy was part of a broader attempt to limit access to information.

Sen. Biden cited as evidence White House support for bills that would limit the Freedom of Information Act and make it a crime to identify intelligence agents engaged in secret missions. In addition, he noted that President Reagan had said in an interview made public Monday that journalists should "trust us, and put ourselves in our hands."

"Everything is just closing down," Sen. Biden said in an interview. "The whole attitude is just very, very different." He added that the administration's definition of what information could be given to Congress was much narrower than the one used by the Carter administration.

For example, he said, intelligence officials often briefed only the Intelligence Committee chairman and ranking minority member, not the full committee. And they "stretch to the extreme" legal requirements that they report to Congress in a timely fashion.

"In 1979, when the agency came up here, I could ask the following question: 'Tell us what's happening in El Salvador?'" Sen. Biden said. "They would give a detailed account, including the blemishes. Now, all I'll get is what they want to tell me."

Sen. Biden's comments came as the Senate continued to debate the bill that would make identification of intelligence agents a crime. The key argument is over the standard of proof to be used in defining a violation.

The bill as sent to the Senate

from committee would require prosecutors to prove that an accused had an "intent to impair or impede the foreign intelligence activities of the United States."

An amendment offered by Sen. John H. Chafee, Republican of Rhode Island, would establish a looser standard. Specific intent would be dropped and a disclosure would be a crime if the defendant had "reason to believe" such actions would harm U.S. interests.

Language similar to the Chafee amendment was put into the House-passed version of the bill last September. Tuesday, advocates of the proposal defended the looser standard as essential for U.S. security interests.

"In order to provide a hedge against the enormous global ambitions of the Soviet Union," argued Sen. John G. Tower, Republican of Texas, "we must have the most effective possible intelligence-gathering capability."

Sen. Biden conceded that the Chafee amendment might pass because many senators shared the fears of Sen. Tower and the Reagan administration. They believe, he said, that changes made in the 1970s to enhance public access to information were naive and harmful.

In recent weeks, however, opponents of the Chafee amendment have become more active. Debate Tuesday focused on the charge that the amendment could have a "chilling effect" on efforts to report on intelligence activities.

Soviet Police Aide 'Died Suddenly'

United Press International

MOSCOW — A Moscow newspaper has run an obituary for the chief of Soviet police charged with maintaining public order that suggested he died violently.

Militia Maj. Gen. Erik C. Abramov, 52, "died suddenly," the newspaper, Moskovskaya Pravda, reported Tuesday. Gen. Abramov had taken over as chief of administration for public order in the Ministry of Internal Affairs earlier this year.

The cause of death and the date were not disclosed, but the tone of the obituary indicated he died violently. Gen. Abramov was a Communist Party member and had previously served as head of the Moscow division of the airplane anti-hijacking squad, the paper said.

Tell the homefolks how you're getting around Europe and make a pretty fare saving on the call.

Traveling through Europe can be a moving experience—and you want to stop just long enough to tell your family and friends about it. Check out the money-saving tips below, then give them a call. It's the first-class way to reach them—at bargain rates.



Save on surcharges. Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and call. No Teleplan? Read on!

There are other ways to save money. Save with a shortie. In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. And you pay for the callback from the States

with dollars, not local currency, when you get your next home or office phone bill.

Save these other ways. Telephone Company Calling Card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid surcharges altogether by calling from the post office or from other telephone centers.

Save nights & weekends. Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable. Now you'll get more mileage for your money.

Brezhnev's Second Blast

Had you forgotten that the Americans and the Soviets have been in Geneva negotiating quietly on nuclear forces in Europe? Leonid Brezhnev forcefully reminded everyone Tuesday by making one of those loud, bold interventions that the Kremlin is given to making when things get difficult at the table. It came pretty much on schedule, like the second stage of a rocket, just as the Geneva talks went into recess. It was a statement simple and dramatic in form, designed to appeal over the heads of the negotiators to an anxious and somewhat confused Western public.

The Soviet Union will unilaterally freeze its missile force west of the Urals aimed at Europe, Mr. Brezhnev declared, if NATO does not deploy new Pershing-2 and Cruise missiles, or until agreement on mutual reductions is achieved. Moreover, he said, later this year his government will unilaterally remove "a certain number" of missiles, barring "a new aggravation of the international situation." That was the carrot. The stick: If the United States deploys the new missiles, creating "a real additional threat to our country and its allies," Moscow would "put the other side, including the United States itself and its own territory, in an analogous position. This should not be forgotten." He went on to nag President Reagan to start START, the full-scale strategic arms talks meant to succeed SALT, and made the usual gallery play.

To one part of this statement, President Reagan Tuesday had a prompt response. The Soviet freeze, he said, is not good enough. He is right. In November when the talks began, Moscow held what a unanimous NATO regarded as a dangerous imbalance—250 to 0—in the most menacing variety of European missiles, mobile triple-headed SS-20s. In the four months since, Moscow has increased this margin to 300 to 0. The freeze that Mr. Brezhnev offers with an air of self-denial masks an unprovoked expansion of a formidable force of weapons meant to intimidate.

But, insist the Soviets, other European nuclear categories, such as the bombs carried by NATO planes and the independent deterrents of Britain and France, must also be counted. Must they? That is precisely what the Geneva talks are about. The United States argues that the Soviet SS-20s are in a class by themselves and must be reduced to zero, or countered. The Soviets contend that other Western weapons, regardless of their different physical and political characteristics, threaten them, too.

From the start, the Reagan strategy has been to show that NATO is united on the matter of the special menace of the SS-20s. Mr. Brezhnev brought the Soviet strategy into full view Tuesday. His position is properly outrageous. It is a negotiating position.

THE WASHINGTON POST.

Mexicans as Mediators

If we hear Secretary Haig correctly, his Central American policy this week is to wish Mexico well in trying to broker a deal between Latin guerrillas and the Reagan administration. That is a tall order, and he is right to add all the usual cautions. But now the administration seems on the right track; the question is why it has taken so long to welcome Mexican involvement.

In the short run, no deal may be possible. The mood in the region is inclement for diplomacy. Nicaragua has suspended civil liberties for 30 days following the dynamiting of two bridges, acts that the Managua regime blames on U.S. "aggression." With recrimination at this level, and a crucial election scheduled in El Salvador for March 28, not much room is left for maneuver.

Still, Mexico's effort can have an immediate and beneficial result. It can pull combatants apart before they strike irrevocable blows. And it can open space for diplomacy by other countries, notably Venezuela and Costa Rica, removing the odor of unilateralism from Washington's case.

In fact, without Mexican involvement, there can be no Central American policy worthy of the name. Mexican security is vitally at risk when civil war tears the isthmus apart; turbulence in Guatemala laps directly at the Yucatan Peninsula, with its oil fields.

Why, then, has it taken so long for the administration to warm up to Mexico's repeated calls for negotiation? One reason is the belief that Mexico has tried to buy social peace at home by supporting leftist causes elsewhere. Another is the belief that Mexicans don't know, or want to know, the degree

to which guerrilla movements are armed and controlled by Cuba and the Soviet Union. So, says the conventional wisdom followed in Washington, even if Mexico was once a revolutionary country, it is now out of touch.

All of this may be true. If so, what better way for Mexicans to find out the facts than to try their hand as mediators? Let it be noted that the Mexican foreign minister has been listening to Washington's arguments; he now says that Nicaragua's involvement in supplying arms to El Salvador guerrillas "must stop." And that, to Haig, is the most important consideration in any modus vivendi between the United States and Nicaragua.

But, in fact, Mexico's pleas for negotiations are not simply a matter of domestic politics; they spring from a profoundly different perception. Having undergone a revolution more recently than North Americans, Mexicans know better how to talk to revolutionaries. That is hardly unimportant, because in coming months the United States may well need to open new channels to guerrilla leaders in Central America.

The vote in El Salvador may swing that country to the far right, increasing the power of the military at the expense of President Duarte, raising cries of fraud. Something like that has already happened in Guatemala. If the choice is between guerrillas and right-wing repression, Americans are unlikely to give military help to the latter. The ultimate winners would be the totalitarian left.

Mexico's value as a mediator could yet acquire unexpected value to all Americans, North, South and Central.

THE NEW YORK TIMES.

U.S. policy in Central America ought to be based on three elements. The first is support, meaning aid and the encouragement of reform, for friendly and reasonably worthy governments. The second is military nonintervention—the only position likely to bring a U.S. president the requisite domestic leeway and international company, especially Latin company. The third is negotiation. The Reagan administration has not done all that it might on the first two points, but it has been especially deficient on the third.

That is the significance of the latest meeting of the foreign secretaries of Mexico and the United States. It has provided the brightest glimmer to date of U.S. interest in the negotiating track.

To be sure, Mexico is not everyone's idea of a down-the-middle mediator. Its foreign policy often seems designed to appease its domestic left. But with its own great and growing revolutionary potential, Mexico has a plain interest in helping Central America to simmer down. This may explain why President José López Portillo made his move last month. Perceiving that El Salvador's agony cannot be resolved within its borders, he proposed a broad approach. He would ease the United States' overall tensions with Nicaragua and Cuba, and add negotiations to the El Salvador mix.

For the United States, it was always a good idea to work with, not against, the Mexicans. They have a weight and an access in Central America that no administration can match. It was hard to work with the Mexicans, however, while they refused to put on their public agenda the item most troubling the United States: Nicaragua's support of Salvadoran guerrillas. Over the weekend,

Mexico bit this bullet: "This supply of arms must stop," said the foreign minister. The administration responded by authorizing Mexico to convey certain proposals to Nicaragua and Cuba. The United States remains wary of Mexico's effort to open Salvadoran talks, but will reconsider the subject after the elections of March 28.

With the administration having accepted at least two-thirds of the Mexican procedural initiative, the next moves are up to Nicaragua and Cuba. They now have a chance to start showing how well-placed is Mexico's confidence in their readiness for a live-and-let-live regional accommodation.

Is the United States ready? The administration must accept the fact that it, too, is under a burden to demonstrate good faith. It will not be easy. The Sandinistas, at least, if not also the more practiced Cubans, are immensely suspicious folks. They may turn out to be so bent by their history and/or ideology as to be beyond accommodation.

Still, the effort is worth making. Thanks to Mexico, Cuba now stands on the verge of the grand negotiation with the United States that it has been demanding for 20-odd years. The Sandinistas have the opportunity to consolidate the humane national revolution that they insist they made in 1979.

The Reagan administration seems a bit confused about its negotiating goals—whether to work closely with the Mexicans on the regional level or draw the Soviets into a global understanding. The latter purpose is too big, too open-ended. The crisis in Central America is not without a Soviet dimension, but Washington would do better to concentrate on the Latin business at hand.

THE WASHINGTON POST.

March 18: From Our Pages of 75 and 50 Years Ago

1907: Shah's Uncle Is Replaced

TEHRAN — The commission appointed to investigate the complaints made by the people of Isfahan against the Zill-us-Sultan has drawn up its report. The Shah has accepted the Zill-us-Sultan's resignation, and has approved the appointment of Nezam-es-Saltanah in his stead. The Zill-us-Sultan, who has been governor of Isfahan, the third city in Persia, for 40 years, is an uncle of the present Shah. Also governor of Khorassan and Azerbaïdhan, he raised and drilled an army, which excited the suspicion of Russia, with the result that he was deprived of his army and much of his power. He excited the animosity of the anti-foreign class by having his sons educated by English and French tutors.

1932: Police Raid Nazi Offices

BERLIN — Following charges that Adolf Hitler was concocting an elaborate plot for control of the government by overpowering the Reichswehr and starving Berlin into submission, police have conducted raids on all offices of the Nazi party and on the homes of its leaders throughout Prussia. On orders from the Minister of the Interior, police pounced on the headquarters and branch bureaus of the party, and in Berlin alone 60 raids were made. The Prussian authorities supported their action by the charge that the Hitlerites have been planning a coup d'état for a long time. They accuse them of planning to cut off "red Berlin" from food supplies by throwing an armed force around the city.

Reagan's Language Is Not Up to These Issues

By James Reston

WASHINGTON — You can always tell when an administration is drifting into serious trouble when the president begins hitting the road, attacking Congress and blaming his problems on the press. It is a sure sign that the first-year political honeymoon is over.

In his latest trip down South, Reagan denounced what he called the "propaganda campaign" of his critics on Capitol Hill, and characterized them as "big spenders" and "parade walkers who march out to denounce the projected deficit on television, and then slip back behind closed doors to bust the budget in their committees."

Complaining of reports in newspapers and on television about the coverage of the war in El Salvador, the president said in an interview with TV Guide magazine.

"There has been a kind of editorial slant that has something almost of the Vietnam syndrome, which challenges what we are doing [in Central America]." He appealed to reporters to "trust us and put ourselves in our hands" when dealing with sensitive information which, if published, might embarrass the government.

The response in Congress and the press has not been excessively enthusiastic.

In Montgomery, Ala., Reagan went back to one of his favorite campaign tactics of attacking Washington, as if he were still opposing the government he now represents. "As long as I can cross the Potomac River," he said, "and get out here with the real people, I'll keep the faith."

This line of argument is beginning to spread through the Cabinet and the White House staff. When President Brezhnev proposed to withdraw his medium-range missiles from Eastern Europe if the United States would agree not to put new modern missiles in Western Europe next year, Edwin Meese, the president's counselor, said this was like a football team, ahead 50-0, proposing to freeze the score at that point in the third quarter.

When Meese was asked whether the CIA was using subversive warfare against Nicaragua, which the United States is committed by treaty not to do, he replied that he did not discuss such things.

The point here is not that the administration is wrong to defend its policies strenuously, or to oppose its opponents or its allies when it thinks they are wrong, but whether, needing the support of both, this is the most effective way to do it.

Ronald Reagan is at his very best when he addresses serious subjects in a prepared speech, as he did last November in his first major statement on the control of nuclear weapons. He is at his worst when he reverts to his old campaign style as Republican rallies and tries to substitute his amiable personality, his old familiar anecdotes and partisan ridicule for carefully con-

structed explanations of his policies. This is particularly true on the problem of dealing with the rising mass protests against the nuclear arms race. Actually, the Brezhnev proposal for a nuclear freeze in Europe sounds fine only if you don't think about it. Meese is quite right in suggesting that Brezhnev wants to freeze the present nuclear balance when the Soviet Union is ahead; for even if Moscow withdrew all its medium-range missiles behind the Ural Mountains, it would still be able to hit every European capital from there.

But this subject is so serious and complicated that it has to be explained, and not dismissed by casual remarks in press conferences or on television. In addition to the world economic crisis, it is likely to be the prevailing issue of allied and East-West relations for the rest of the decade.

Anybody who wonders why hundreds of thousands of people have been protesting in the streets of Europe against the nuclear arms race, or why this mass movement is now spreading in the churches and universities and even the town meetings of the United States, should read Jonathan Schell's startling series of articles in recent issues of The New Yorker magazine, soon to be published by Alfred A. Knopf under the title, "The Fate of the Earth."

It addresses a worldwide fear. No government in the free world favors a freeze

on nuclear weapons at the present level of terror, but no government, including the government of the United States, is likely to get consent for present nuclear policies unless it deals with this rising human uproar against them.

This is especially true as opposition grows in the United States to the Reagan military policies, to Secretary of State Alexander Haig's mystifying clarification of Central American policy and to the administration's cuts in taxes, social benefits for the poor and student aid.

A coalition of forces is gathering against the administration, not because of any in spite of the clumsy Democrats. The president is trying to tough it out in the conviction that he is right and the opposition is wrong, even including his old buddies in Big Business, who are no longer laughing much at his jokes. The president is not trying to educate the public on these complicated questions or trying to persuade his critics in Congress and the country. Instead, he is playing confrontational politics at home and abroad and evading the deeper philosophical questions with glib one-liners on television.

The trouble is that this device is not working. It is not reducing the opposition to the president's policies but increasing it, and even Meese agrees in private that the president must and will soon begin to speak out in a different way.

©1982, The New York Times.

Why Be Afraid of Falling Oil Prices?

By Hobart Rowen

WASHINGTON — As oil prices fall, the latest panacea being examined by U.S. government officials and debated in corporate boardrooms is a tax on oil imports, maybe \$5 to \$10 a barrel. This, it is presumed, would stimulate domestic output, encourage conservation and further reduce dependence on imports, especially from the OPEC members.

That is a half-baked idea based on faulty reasoning. Milton Russell of Resources for the Future put it succinctly this way: "The idea that these oil prices going down is bad for us is perverse."

Fear is the basic rationale behind the proposal. Americans are warned that lower oil prices reverse the healthy trend of the past couple of years toward sharply reduced consumption. Car buyers will go back to gas-guzzlers, wasteful practices will be resumed by industry, the search for alternatives to oil will be slowed, and dependence on OPEC will be increased rather than weakened.

Yet most experts agree that there is little OPEC can do to stem the long-run decline in consumption. "The question is not whether the Saudis can hold the price at \$34 or \$32, but whether they can hold it anywhere," says Russell.

Not only is a \$5- or \$10-per-barrel oil import fee unnecessary to defang OPEC, it would reverse the only visible healthy economic trend the United States is enjoying: reduced inflationary pressures stemming in good part from lower oil prices. For those looking for an anti-OPEC weapon, a better strategy is to fill the strategic petroleum reserve while oil is cheap.

As economist Alan Greenspan says: "The trend to reduced consumption is irreversible. Lower prices aren't going to trigger a massive increase in fuel consumption. Sure, there will be some increase [as prices drop]. And there will be some increases as economic recovery gets under way. But we are seeing a semi-permanent response [the earlier big jump in oil prices]."

For example, home owners are not going to pull the insulation out of their houses if fuel oil prices go down. In industry, Greenspan

adds, the major research and development effort launched to cut fuel consumption costs, beginning with the first oil shock, is leading to permanent changes.

Russell agrees with Greenspan. "People are not dumb," he said in an interview. He expects them to "accept the short-term benefits" of soft oil prices. They may opt this summer for a cross-country trip instead of nearby resorts, but the small car is here to stay.

But the import fee backers have other motivations. In part, the proposal reflects a panicky feeling in the domestic energy industry that the soaring price joyride they enjoyed in the 1970s is coming to an end too fast. They fear it jeopardizes investments in new energy ventures based on the expectation of high-priced oil.

Some projects are already stalled. But, as Greenspan suggests, that could be a good thing, saving the investors and the nation "from construction of a long series of white elephants."

Russell believes capital investment decisions are based on long-term probabilities, which down the road still point to expensive energy compared to the 1960s. "But it

may be that it's economically wise to delay some investments that industry thought would pay off earlier, and I think that's both publicly and privately wise."

When you get right down to it, the only "benefit" of an import duty would be the yield to the Treasury of about \$40 billion in new revenues from the import duty directly, and from the windfall profits tax on domestic oil, which would be allowed to rise to the duty-fanned import price.

But the costs of such a benefit to the budget deficit would be enormous in other directions. Higher oil prices would have a serious inflationary effect. Because oil costs would be higher in America than in the rest of the world, one more noncompetitive element would be added to American exports, already struggling in world markets.

Worst of all, the oil import fee would deliver a wholly unjustified bonanza to domestic oil producers whose profits would swell, even after the windfall profits tax. Such a multibillion-dollar gift to the domestic oil industry would fatten its purse for an additional burst of questionable industrial takeovers.

©1982, The Washington Post.

On the Other Hand, Why Be Afraid of OPEC?

By Robert J. Samuelson

WASHINGTON — Oil prices are falling and OPEC is scrambling to prevent a total collapse. If it cannot, oil prices will plummet from New York to Tokyo by gleefully proclaiming the cartel's demise.

They will be wrong, because the cartel hardly ever existed. But belief in its existence has hampered the West in understanding and adjusting to new oil realities.

To say that OPEC is not an effective cartel is not to say it has had no effect on oil prices. But the main driving forces lie elsewhere, in changed consumption patterns and political upheavals.

Oil-consuming and producing countries have ridden the same roller coaster up and down. The consumers' interest is to get off and to promote stability. This is impossible so long as

consuming nations continue to think that OPEC alone sets prices. Believing that, consumers relieve themselves of all responsibility to shape world oil supply and demand. They see themselves as victims of an international conspiracy. This is a convenient psychology but poor history and economics.

The huge 1973-74 price increases stemmed essentially from runaway consumption; prices were low, economic growth was rapid and oil supplies were considered limitless. Between 1950 and 1973, non-Communist oil demand more than quadrupled to 47 million barrels daily; at that pace, it would have approached 75 million barrels a day by 1980, compared with actual use of 50 million barrels. Oil

reserves were not being discovered that fast; large price increases were inevitable — if not in 1973, then soon — to slow consumption and spur exploration for costlier oil.

Now the process is working in reverse. Higher prices (resulting from the Iran-Iraq war) and recession have blunted demand. It dropped from 52 million barrels a day in 1978 to 47 million barrels last year. Britain has cut oil prices by \$5.50 a barrel. The official OPEC price remains at \$34, but some specialists think it might drop as low as \$20 to \$25.

What no one knows is how much of today's downward price pressure is temporary, resulting from a sell-off of excess inventories. Such uncertainty would never

trouble any self-respecting cartel. It would regulate output to control prices. OPEC has never done this. What has given the appearance of a cartel are tight markets, which allowed producers to raise prices. But OPEC's official price increases usually followed, rather than preceded, jumps in "spot" prices.

Any decline that now occurs, though, is clearly a mixed blessing for consuming nations. To be sure, the initial economic consequences would be favorable. Inflation would slow and Western economies might snap out of their slumps more quickly. Likewise, lower prices would help relieve debt-ridden countries of crushing trade deficits and huge debts.

But if they simply stimulated consumption and led to future price increases, any decline would be of short-lived benefit.

The key to price stability lies in a healthy margin between the demand for oil and productive capacity. Increases in demand are then met by higher output, not higher prices. In addition, the margin represents modest insurance against political or physical supply disruptions. The margin is now being restored: OPEC production of 20 to 21 million barrels a day is one-third lower than in 1977.

The West's interest lies in maintaining the margin. Until the late 1960s, new oil discoveries sustained it. Because the volume of discoveries has slackened — a reminder that conventional oil supplies are finite — disciplined consumption is now critical.

The upshot is that the industrialized world should treat any price declines gingerly.

Together, the United States, Europe and Japan consume 70 percent of the non-Communist world's oil. Perhaps they might accept a modest price decline (to, say, \$20 a barrel), but beyond that, they ought to insist that consumers by imposing offsetting excise taxes. Lower oil prices, they would cut either government deficits or other taxes.

Sharp fluctuations in oil prices are as harmful to political as to economic stability. On the way up, prices prompt adventurism abroad; on the way down, they risk toppling governments from inside. The OPEC habit of mind has prompted the idea that determination of oil prices and stability lies mainly in the hands of a sinister cartel. This is a myth that can help to justify paralysis.

©1982, The National Journal.

The Anti-Yankee Premises of the Sandinistas

By Lawrence E. Harrison



Cambridge, Mass. — The tragedy of the Nicaraguan revolution is that the Sandinistas have come to power with a set of attitudes, shaped by Nicaraguan history and Latin American leftist myths, that are alienating Nicaragua from the United States and driving it down the Cuban path.

In two and a half years the Sandinista revolution has moved steadily away from its commitment to pluralism, a mixed economy and nonalignment. It is not yet Cuba, but it is getting close.

Ironically, the Nicaraguan people are being pushed back into authoritarianism by nine idealistic leaders who, unlike most of their predecessors, are genuinely concerned about the welfare of their people. It is far from clear that this is what most Nicaraguans want. It now appears that there were really two revolutions: one, broadly based, to establish a Western democracy; the other, narrowly based, to establish a Marxist state.

The Sandinistas are convinced that "Yankee imperialism" is at the root of the country's problems; that it is the United States that has created Nicaragua's dictatorships and its oligarchy (even in the 19th century, when the U.S. presence was minimal); that half the Nicaraguan people are illiterate because the United States wants it that way (they choose to ignore the fact that one-third of existing Nicaraguan schools were built by U.S. aid programs).

The United States did not really focus on Nicaragua until late in the 19th century. When Washington first considered it as a site for a canal between the Atlantic and the Pacific. Historically, the United States has imported little from Nicaragua, and its investments there are negligible.

In their search for an explanation of their country's condition, the Sandinistas have taken the easy way out, placing all blame on a foreign devil, the United States. They ignore close parallels between Nicaragua's authoritarianism and that of most Latin American countries — and of Spain. They have embraced Marxism because it provides an intellec-

tual rationale for their emotional sense of national indignity.

The Sandinistas thus belittle Western democracy because they have been taught that it is just a smokescreen for exploitative capitalism. They also learned by firsthand observation that "democracy" as practiced by Somoza was a charade by a greedy and irresponsible family. The discrediting of democracy is the late President Anastasio Somoza Debayle's cruellest legacy to his people.

The United States made a genuine effort to build a new relationship with revolutionary Nicaragua. Ambassador Lawrence A. Pezullo did a brilliant job building bridges between the United States and the Sandinistas. Washington helped Nicaraguans avert food and medicine shortages during the first few months after the revolution and was the principal source of subsequent reconstruction assistance.

But this did little to change the Sandinistas' view of the United States. In the autumn of 1979, Americans in Nicaragua were told by high-level Sandinistas that their anthem was going to be changed to exclude the words "We shall fight against the Yankee, the enemy of humanity." The change was never made. But these and other repeated rhetorical attacks on the United States — along with increasing

abuses of human rights and a foreign policy similar to Cuba's — were the principal causes of Congress' delay in appropriating aid for Nicaraguan reconstruction.

Since the Somoza dynasty came to power in 1937, the United States — particularly Americans with extremist political views — has borne some responsibility for the unfolding tragedy. The U.S. right was taken in by Somoza's thorough knowledge of the United States, by his personal charm and progressive rhetoric. The right ignored Nicaraguan poverty and authoritarian politics, and appointed as ambassador Turner B. Shelton,

who served from 1970 to 1975 and became the symbol of the United States' cozy relations with Somoza. His picture appeared along with Somoza's on the 20-cordoba bill that circulated until recently.

Today the U.S. left has blindly taken up the cause of the Sandinistas, cheering them on toward an authoritarian state, apparently unconcerned about their assaults on human rights. The left does not perceive that these abuses — the same ones it denounced during Somoza's rule — are further evidence that the principal roots of Nicaragua's problems are in Nicaragua, not U.S. soil. It is helping to perpetuate a myth that is driving a country with a tragic history toward further tragedy.

The final act of the tragedy may occur several years hence, when some Sandinistas recognize that their diagnosis of Nicaragua's ills was faulty and that their failure to preserve relations with the United States has been enormously costly — eroding even their national independence and dignity. But then, as in Cuba today, it may be too late to turn back.

The writer was director of the Nicaraguan mission of the U.S. Agency for International Development from July, 1979, to July, 1981, and is now a visiting scholar at the Center for International Affairs at Harvard University. He contributed this comment to The New York Times.

INTERNATIONAL **Herald Tribune**

Published with The New York Times and The Washington Post

John Hay Whitney (1904-1982)

Chairman

Katharine Graham Arthur Ochs Sulzberger

Co-Chairmen

International Herald Tribune, S.A. au capital de 1,200,000 F.R.C.S.

Siège social: 17, rue de la Paix, 75002 Paris, France. Tél.: 271-11-00

Paris: Directeur de la publication: Walter N. Thayer U.S. Information

page 2235. Journal des Postes par Air Long Island City, N.Y. 11101

©1982 International Herald Tribune. All Rights Reserved.

Communications Postales No. 34 21

General Manager, Asia: Abdul Latif 20-21 Humber Road, Room

1001 Hong Kong. Tel. 2-29 36 11-9. Telex: 01170 HETTERC

Lee W. Huebner Publisher

Philip M. Folsie Executive Editor

Walter N. Wells Editor

Robert K. McCabe Deputy Editors

Sammel Abt

Carl Gewirtz Associate Editor

'My Dearest Franz'

By Anatole Broyard
New York Times Service

NEW YORK — Elias Canetti, winner of the 1981 Nobel Prize in Literature, has just published "Kafka's Other Trial," an interpretation of Franz Kafka's bizarre and voluminous five-year correspondence with his fiancée Felice Bauer, whom, as we know, he never married. Though Kafka's letters have been brought out in a bulky volume, we have no direct evidence of hers, which were destroyed. She can only be inferred through him, which has been the fate of so many women. Using the available material, I have attempted to imagine one of Miss Bauer's letters, one that gathers up several of the themes that ran through their tormented courtship.

My dearest Franz, I am the thinnest person I know, you write, and you suppose that this is something against you. You are forever apologizing, but you must know that it is for your thinness that I love, so light and fine, ethereal, almost holy, so delicate with its suggestion of suffering and fastidiousness, like the man in your story who never found what it was that he wished to eat. You are ashamed of your thinness because you do not understand a woman's feelings — how I detest the grossness, the too-muchness, like your father, of most men, the way they occupy all the space, absorb the light and push one to the edge of the bed. Though you do complain more than most men, your complaints are yours, just as your Josephine the Songstress cannot stop singing. And I trust your complaints. I know that you are telling me

everything, concealing nothing. I know where I am with you and what to expect, for it is the unexpected that is so terrible. It is the man who never complains, who boasts that they will make you happy, who end by breaking your heart. "Marriage is a scaffold," you say, yet you are willing to mount that scaffold with me, which is all the proof I need of your seriousness.

On a lighter note I take great pleasure in your jealousy when you write, "Don't lick the indelible pencil, as you did in your last letter but one." I lick it only to write more indelibly to you, to darken my feelings on the page.

You tell me that you have to be alone, live alone, sleep alone — but that's what a husband is, alone with his wife, forsaking all others. Wasn't it a French writer who said, "He doubled his loneliness by marrying?" I will be the mirror, the womb of your

loneliness. Though you look upon me as a trial and argue like an advocate, I can only ask where, my poor Franz, where do they say that it's against the law to love?

Your unworshipfulness, my dear, is enough to bring the tears to my eyes. See the apartment you found for us: it has neither a kitchen nor a bathroom, as if you thought that marriage, the mere idea of marriage, could feed us and absorb our wastes. The apartment, you insist, must have a cellar. Well then, you shall have your cellar, if you'll allow me a kitchen and bath.

How sensitive you are! In your last letter but three you tell me that the gold in my teeth makes you lower your eyes. But can't you look upon my gold teeth as an investment, a surprise, a challenge filled with the wine of life? Nothing escapes you, you notice everything: my blouses, my coffee, how many hours I sleep. I suspect that in your privacy this is your way of thinking about my body.

So you want me to change you? "There are times," you write, "when I think you could change me into a man capable of doing the obvious." But I'm not sure what you regard as obvious, because of your habit of expressing yourself in images.

So one sense at least we have



not yet achieved the obvious. I thought it would happen when we spent those 10 days together in the hotel at Marienbad. Adjoining rooms, each of us with our own key to the connecting door — yet whenever I tried to insert mine, yours was in the lock, blocking the way. Why did you do it? Why did you shut me out like that? With all your twists and turns, I know that you want me.

Is it possible that I may be mistaken? As I look back on it now, it occurs to me that I may have misread the situation. Could it be that each time I ap-

proached the door with the key in my hand, you too crept toward it on your side? And then, as if by telepathy, two hearts beating as one, we thrust in our keys at the same instant? How like you, how like one of your stories, that would be. Desire thrusting against desire, blindly, in the metallic recesses of a lock.

Oh, my dear boy. We won't make such a mistake again. Next time there shall be one key, one room, one bed, and whether you ask me or not, I'll say yes, yes I will, yes.

Good night.

FELICE

A Nicely-Nicely 'Guys and Dolls'

By Sheridan Morley

LONDON — Britain's National Theatre looks set for a long run of the musical "Guys and Dolls" after Sir Laurence Olivier's ill health caused him to abandon his plan to play Nathan Detroit, the stage star who bears his name at last his "Guys and Dolls" and, I would guess, the first mass populist box-office smash since the oft-trodden history of Sir Peter Hall's South Bank administration. In that sense the wait has been worthwhile, and true to Damocles' gambler's instinct the success has been achieved at odds of about 8 to 5 against.

"Guys and Dolls" may be one of the true Broadway musical classics but it is curiously intransigent to stage; its songs are its plot, its characters are its action, and in the end it lives or dies by its choreography and its cast's understanding of the original Frank Loesser-Abe Burrows three-cent opera convention.

In this case the casting has been brave to foolhardy. Of the four principals, Bob Hoskins (as Nathan) is more Hamlet than New York Broadway. Julia McKenzie (as Adelaide) is patently too good a singer ever to have been confined to the crummy Flot Boat nightclub, Ian Charleson (as Sky) is years too young and innocent, and Julie Covington (as Sister Sarah) oddly lacks the requisite Major Barbara fervor. That all four rise above these character drawbacks is due partly to the aforementioned choreography (and if there is a single triumph in this evening it is David Togiani's ballet to the perfectly cast supporting team).

I never expect to see a better Nicely-Nicely than David Healy, or a more sinister Big Jule than James Carter; Bill Paterson as Harry the Horse, Barrie Rutter as Benny and Harry Town as Brannigan are equally superb down to their potently melting feet, and what was always a company show (the title song and the second-half showstopper are both sung by minor characters) becomes in Richard Eyre's brisk production a victory of mass stagecraft over individual talent.

From its filmic opening titles, which sensibly haul the memory back into the Warner Brothers black-and-white 1946 film from the faded Technicolor image of Brando and Sinatra, right through to John Normington doing "More I Cannot Wish You" quite beautifully, this is a production in which the whole is always greater than its parts. It is a tapestry of small-time losers and big-band numbers, and though Eyre's overall concept may lack the acid edge of the recent Half Moon Theatre revival, it fills the Olivier stage with the brassy music and tacky song of Ray Charles' Broadway.

There is however one point



Julie McKenzie (Miss Adelaide), Bob Hoskins (Nathan Detroit).

about this success I would like to point out. A smash hit at the National Theatre is not precisely the same thing as a National smash hit; this revival has been achieved by a director and a choreographer totally new to the National with a cast among whose four principals only one has ever played a leading role on a main National stage. To David Togiani's ballet to which emerges from the bowels of the company, nor one that says anything about the nature or existence of a National policy on musicals.

In a week when we have been reminded of the best of Broadway we have also been granted a glimpse of the worst: to an audience who had paid £25 a ticket on the first night, at the Victoria Palace, was granted the personal appearance of Elizabeth Taylor in Lillian Hellman's creaking melodrama "The Little Foxes." This production (first seen on Broadway with a stronger supporting cast) would now appear to have reached the end of its bus-and-truck tour and is indeed showing signs of wear and tear. Taylor is surrounded by a supporting company of leftover heavies from minor television movies and the result, when all are on stage, resembles nothing so much as an evening at Madame Tussaud's.

All of which is a pity, because in there somewhere is a once-great play and the last-act glimmer of a possibility that in a better production Taylor might have been able to deliver. When she is on stage with just one other actor or actress,

such as in the final confrontations with dying husband and departing daughter, she is able to recreate the studio conditions in which some of her best movie work was done, and is then suddenly and briefly very good.

The essential trouble is that she utterly lacks the quality of evil that both Tallulah Bankhead and Bette Davis were able to bring to the original stage and screen productions, and the production seems to acknowledge this by having its major climax, the death of her husband after she has denied him the life-saving medicine, happen off-stage. Thus we are left with the echo of a melodrama, and the memory of other and better versions.

That Hellman's play may well be even more a lot sharper and stronger than it looks here, that it may still have something to say about the bitter aftermath of the Civil War, and that it remains a quintessentially theatrical statement of the theory that the family which decays together stays together, all these are more lost in the uneasy transition from drama to star vehicle.

Taylor simply cannot cope with a stage full of people, and her director, Austin Pendleton seems to have contented himself with making sure that the rest of his cast keeps a respectful distance from her except when actually being spoken to. The result is a thick-set, clumsy and styleless rendition of a play in which style and timing are or ought to be everything, an evening for stargazers rather than theatergoers.

The 'Poisson Distribution,' Math and Madame Pompadour

By Joseph McLellan

WASHINGTON — This is not a random sample of the population, said a mathematician, standing at a buffet table and looking across a busy room at the Cosmos Club.

Indeed, it was not. In one corner, statistician Charles Roberts of the Smithsonian was discussing the mating habits of *Bactrian* camels: "It's a little bit like one Cadillac mating another," he was telling Seymour Selig of the Office of Naval Research and French science attaché Michel Clerget. A few feet away, statistician Niles S. Singurwalla of George Washington University was earnestly asking biomathematician Max

Horne Cancels La Scala Dates

MILAN — A last-minute decision by the mezzo soprano Marilyn Horne not to sing at La Scala opera house caused the prestigious Milan theater to cancel scheduled performances of Rossini's "L'italiana in Algeri" and to reshuffle its opera schedule for the next two months. A spokesman for La Scala said the American singer did not sign the contract with the Milan theater after reaching a verbal agreement. Reliable sources said the singer was angered by the management decision not to give her a role also in another opera, Berlioz's "Les Troyens."

Woodbury of Duke University, "Why should cancer-related events be binomial?"

Don Gross, the author of a standard textbook on something called "queuing theory," was reflecting that he doesn't mind waiting in line the way other people do, because his branch of science deals with the factors involved in the formation of waiting lines. "I tell myself, if it wasn't for lines like this, I wouldn't have a job."

All the scientists in this non-random group had spent the day at George Washington University delivering and listening to papers on the work of French mathematician Simon-Denis Poisson, who was born 200 years ago. "Actually, his 200th birthday was last June," said Singurwalla, one of the organizers, "but it took a while to get it all together; we had so many sponsors, and we had to bring in people. I proposed that we delay it so that we could do a better job."

The co-sponsors of the event (the George Washington Graduate School of Arts and Sciences and School of Engineering, the Office of Naval Research, the French Embassy and the Washington Statistical Society) did manage to get it all together within Poisson's bicentennial year.

Singurwalla, a music lover as well as a mathematician, is unhappy that geniuses like Poisson, who work in a highly specialized field, get less attention than geniuses like Beethoven. "People remember great art-

ists," he said, "but except for a small circle, they forget great scientists."

The people at the Cosmos Club have not forgotten Poisson, whose mathematical work is more important today than it was during his lifetime in fields that he could never have imagined. His research is used by insurance companies to estimate what kind and number of accidents will happen in a given time period, by the U.S. Navy to predict corrosion in pipes, by medical researchers and engineers, supermarkets and transportation systems.

Airlines and nuclear regulators rely on Poisson's work to predict the reliability of performance by airplanes and reactors. His key contribution, known as the "Poisson distribution," is useful for predicting the occurrence of rare events and evaluating the element of chance in human events.

Effect on Jury Verdicts

Herbert Solomon of Stanford University studied his statistical research on the relation of the size of a jury to the correctness of its verdicts and found that it is still valid today, when juries are shrinking along with a shrinking economy. "There is a significant difference between a jury of six and a jury of 12, although the Supreme Court has said there isn't," Solomon said. "When you reduce the size of a jury, the errors increase. It wouldn't hurt the Supreme Court or its

clerks to read what Poisson published in 1837."

Across the room, Roberts had finished with camels and turned to Madame Pompadour, whose maiden name was Poisson. "I did research on the Poisson families in the United States," he was saying, "and I found four branches, all of which claim descent from her. All of them are proud to have her in the family, but some of them will still argue with you if you say that she was the mistress of Louis XV."

New York Court Rejects Appeal to Save Theaters

New York Times Service

NEW YORK — The State Court of Appeals, New York's highest court, refused Tuesday to hear an appeal to delay demolition of the Morosco and Helen Hayes theaters in Manhattan, removing all but one barrier to construction of the 50-story Portman hotel in the Times Square area.

Opponents of the hotel project, including prominent actors, producers and playwrights, have been staging protests at the site. The only remaining hurdle for the proposed hotel is a stay granted March 4 by Justice Thurgood Marshall of the U.S. Supreme Court that bans demolition until the Supreme Court has had a chance to consider a petition from the pro-theater groups.

Purge of Journalists Reported in Poland

By Dan Fisher

WARSAW — A personnel purge aimed at re-establishing tight Communist Party control over the Polish media has already cost about 15 percent of all the country's journalists their jobs, according to well-informed sources.

They say that a second, "even more dramatic" phase is anticipated and that the Association of Polish Journalists, the activities of which were suspended under martial law, is expected to be banned completely.

Lending credence to the reports was an article published Tuesday in the youth newspaper, *Banner of Youth*, urging the formation of a new journalists' grouping that would "base its work on a realistic assessment of the socio-political situation in Poland."

The suspended association had been in the forefront of official organizations campaigning for democratic reforms before martial law. But *Banner of Youth* charged that its leadership had exploited the hopes of the journalistic community "to promote political activities."

The association is headed by Stefan Bratkowski, who consistently ranked in public opinion polls before martial law as Poland's most highly respected journalist. Mr. Bratkowski was expelled from

the Communist Party last year for championing liberal reforms not only in the party, but throughout society. He has been in hiding ever since the Dec. 13 military crackdown to avoid internment.

Mr. Bratkowski and the journalists' association acted as mediators between the government and the suspended Solidarity free trade union movement on several occasions during late 1980 and 1981.

The association was also under attack from the Soviet Union during much of that time as undermining party authority. Close party control over the media is a cornerstone of Soviet-style Communism, and the Kremlin made no secret of its concern over the increasingly independent course followed by the Polish press before martial law.

The media has thus been one of the primary targets for "normalization" by the authorities.

According to an underground document dated Monday and circulated in journalistic circles in Warsaw, the media purge has been particularly severe in radio and television. The document quotes broadcasting chief Wladyslaw Loran as saying that 513 persons have been fired and 109 demoted.

Dismissals were especially numerous among the association's activists, the document said. It quoted the dismissals notices as declaring the journalists "unfit for work in a militarized enterprise."

About 6,000 journalists, technicians and others worked in radio and television before martial law. Forty journalists are still interned as potential threats to the state, according to the bulletin. They include journalists connected with Solidarity, association activists and almost the entire editorial board of the Wrocław television station. Wrocław was a center of liberal activism before the crackdown.

The document reports that the media purge was also especially severe in Gdansk, the birthplace of Solidarity and one of its strongholds, and in Szczecin.

Cuomo Will Face Koch In New York Primary

New York Times Service

NEW YORK — Lt. Gov. Mario M. Cuomo has formally announced his candidacy for the Democratic gubernatorial nomination.

He will be running against New York City Mayor Edward I. Koch, with whom he competed unsuccessfully in the 1977 primary and election. Mr. Cuomo, 49, who announced his candidacy Tuesday, is also a front-runner for the Liberal Party nomination, and thus would be assured of a place on the ballot regardless of the outcome of the Democratic primary.



JOINT MANEUVERS — Commanders of the Polish, Soviet and East German armies discussing plans for exercises in Poland. No other information on the photo was released.

Underground Movement Reported To Take Hold in Polish Port City

The Associated Press

WARSAW — An underground movement embracing hundreds of former Solidarity members has taken hold in Gdansk, the Baltic port where the Solidarity labor federation was born, reliable sources said Wednesday.

The sources said they considered the movement to be the best-developed of its kind in Poland, which has been ruled since Dec. 13 by a military regime that suspended union activities and interned hundreds of Solidarity leaders.

The Gdansk underground movement was characterized by one source as a "return to the roots" aimed at re-establishing a shattered Solidarity structure and preparing for an eventual re-emergence of independent union activity.

Printing Skills

The sources, who requested anonymity, named prominent leaders in the Gdansk movement as Bogdan Lis, once an aide to Lech Walesa, the detained leader of Solidarity, and Alexander Hall, an activist in the nationalist underground group Young Poland, which emerged with the creation of Solidarity in August 1980.

Mr. Hall's prominence in the movement was considered significant by the sources, notably because the Young Poland movement showed increasing skill in the late 1970s in printing techniques. The organization, composed principally of intellectuals who advocated a sort of "truth-in-history," published texts on such subjects as Polish-Russian history and

relations. The circulation of leaflets and publications is seen as crucial to the effectiveness of the underground movement.

Joint Exercises

In another development, the hard-line Polish Army newspaper, *Zolnierz Wolnosci*, said the "dynamic stage of battle cooperation" has begun among units of the Polish, Soviet and East German armies conducting joint exercises in northwest Poland.

"After completing the planning and organizational phase ... the allied forces, cooperating closely, began in the night hours [Tuesday] operations aimed at pushing the 'enemy' out of the disputed territory," the newspaper said.

The exercises began March 13 and are to last until Saturday.

Buckley Mission

LONDON (Reuters) — Britain is sympathetic to U.S. calls for moves to tighten credit extended to the Soviet Union, but British officials believe it would be difficult to rally support from all major NATO governments for such

Nigerian Leader in Bonn

The Associated Press

BONN — President Alhaji Shehu Shagari of Nigeria arrived here Wednesday for a four-day state visit. During his stay in West Germany, the Nigerian leader will meet with President Karl Carstens, Chancellor Helmut Schmidt and other officials.

moves, diplomatic sources here said.

The sources were commenting on a meeting held here between the British foreign secretary, Lord Carrington, and James L. Buckley, undersecretary of state for security assistance, science and technology, who is touring West European capitals to seek support for the moves.

U.S. sources said the seven-man mission "didn't make too much headway" in similar visits earlier this week to Bonn and Paris. The group went to Rome Wednesday night and will hold talks with Italian officials there Thursday. They will go to Brussels on Friday.

The British Foreign Office said that officials had listened Mr. Buckley's views with sympathy and understanding and that they would continue to exchange views on the difficult problems discussed.

The Reagan administration believes that generous long-term credits by Western banks, some at low rates of interest, help the Soviet arms build-up by freeing funds that would otherwise be used for urgent industrial purposes.

Mr. Buckley was seeking to halt export subsidies for goods sold to Moscow, a ban on government insurance guarantees for bank loans and a moratorium on officially backed credits while the West tries to frame a joint policy, diplomatic sources said.

No decisions were being made during the weeklong tour, which was largely exploratory, the sources said.

Church Backs Pacifism in E. Germany

United Press International

BERLIN — The East German Protestant church toughened its anti-military line during the weekend by siding with young people who refuse to do military service, according to a church statement.

The statement, issued Tuesday by church leaders after a Protestant conference in Buckow, near Berlin, said young East Germans who refused military service were "expressing pro-disarmament and not anti-state sentiments."

It continued: "We support young Christians who in words or deeds show that even the peacekeeping efforts of our state do not render the Christian desire for disarmament superfluous."

The statement is likely to cause further friction between the Protestant church and the state in East Germany, where military service is regarded as a primary act of Socialist faith. Those who refuse service are imprisoned.

Before God

Church leaders said young East Germans should turn to God over the question of whether they should enter conscripted sections of the army to do their military service or whether they should refuse military service altogether.

However, the leaders refrained from suggesting a total boycott of military service saying that "Christians may venture military service despite the increased risk of our times."

In response to recent church-backed peace movement demonstrations, the East German authorities recently launched a strident pro-military propaganda campaign aimed at convincing young people of the need to defend peace.

The latest and largest East German peace movement demonstration was organized by the Protestant church in Dresden last month and was attended by about 4,000 young East Germans.

Japanese Airliner Dives 21,000 Feet for Oxygen

United Press International

TOKYO — A Japan Air Lines DC-10 with 160 persons aboard plunged 21,000 feet (6,500 meters) in a controlled dive to pump oxygen back into its cabin, according to officials. No one was seriously injured.

An airline spokesman said the three-engine jet was flying at 33,000 feet (10,000 meters) Tuesday over northern Japan when an alarm in the cockpit indicated that the cabin pressure system malfunctioned. The pilot radioed the Tokyo control tower, which ordered the dive to 12,000 feet (3,600 meters), where the air is not as thin as at higher altitudes.

Head of OECD Agrees To Finish 5-Year Term

By Axel Krause

International Herald Tribune

PARIS — Following several months of unsuccessful efforts to find a successor, Emile van Lennep agreed Wednesday to resign as secretary general of the Organization for Economic Cooperation and Development until his term expires, Sept. 30, 1984, the OECD announced Wednesday.

Mr. Van Lennep, 67, was re-elected to a third five-year term in 1979, but had agreed to serve only half of it and relinquish the \$75,000-a-year post April 1.

During the last in a series of closed meetings Wednesday, representatives of OECD's 24-member nations invited Mr. Van Lennep to stay on, and he accepted, according to a brief statement issued by the OECD.

No Changes Expected

No immediate changes were expected in the organization's basically conservative approach to economic policy, OECD sources said.

"With Van Lennep staying on, the upshot is continuity, with the emphasis on fighting inflation and reducing unemployment through investment, primarily in the private sector," an OECD ambassador said.

In their discussions, member governments and their ambassadors had been unable to agree on three European candidates: Helga Steeg, a senior West German trade official; Filippo Maria Pandolfi of Italy, a former treasury and finance minister; and Staffan Burenstam Linder, a former Swedish trade minister.

Because of varying degrees of doubt expressed by member governments about the qualifications of the three candidates, Mr. Van Lennep, a former treasurer general in the Dutch Finance Ministry, gradually emerged as the strongest contender although he did not seek reappointment, OECD sources said.

Officials of the Reagan administration, which had supported Miss Steeg, said that they were highly satisfied with Wednesday's decision. "Under the circumstances, Van Lennep was the best choice," a senior U.S. diplomatic official said.

That view was shared by many other OECD member nations as well as by one of the organization's

outspoken critics, the Trade Union Advisory Committee, a group of non-Communist labor unions in the OECD area that has a consultative role with regard to the organization.

"We have been critical of OECD's policies for not making unemployment the key priority, but this might not have been the best time to change horses," said Kari Tapio, general secretary of TUJAC. "We sense some shift in its approach to adopting the social dimension of the crisis and if it materializes, it will be a welcome development."

The shift, according to Mr. Tapio and OECD sources, was reflected in a speech in Paris last week in which Mr. Van Lennep showed cautious support for more expansionary economic policies among unidentified OECD member governments. It is believed he was referring primarily to West European nations and Japan.

Noting that the economies of member nations had advanced unevenly since June, 1980, Mr. Van Lennep told the OECD's Business and Industry Advisory Committee that he believed "some of them" were at the point where they can consider themselves qualified to advance cautiously into sustainable growth patterns. "The approach can only work if it included revivals both in consumption and private investment, he added.

Reagan Appeals To Americans on Irish Donations

Reuters

WASHINGTON — President Reagan asked Americans on Wednesday to stop donating funds to Irish groups associated with violence in Northern Ireland.

Mr. Reagan issued his St. Patrick's Day message after he met Irish Premier Charles Haughey at the White House and entertained him at a luncheon. Mr. Haughey was planning to go to Capitol Hill later in the day to meet several congressmen interested in the Northern Ireland situation.

In his message Wednesday, Mr. Reagan noted that last year, "I called on all Americans to question closely any appeal for financial or other aid to the point where they can consider themselves qualified to advance cautiously into sustainable growth patterns."

He added: "Today I renew that request. Continued violence, even by a misguided few, can only frustrate the desire for peace of the overwhelming majority of the entire community of Northern Ireland."

Man Dies Avoiding Crash

United Press International

NASSAU, Bahamas — An FBI agent who jumped from a crashing plane Tuesday in an effort to save himself died from injuries in the fall, but his brother and a pilot who stayed on board were rescued from the wreck without a scratch, authorities here said. The plane had developed engine trouble and plunged into the Atlantic Ocean,

Growing Soviet Economic Troubles Seen By Some in U.S. as Unusual Policy Lever

Officials See Chance to Press Kremlin for Concessions

By Hedrick Smith
New York Times Service

WASHINGTON — Evidence is growing that the Soviet Union is caught in a hard-currency squeeze. This has sharpened debate within the Reagan administration over how vigorously to apply economic pressure in an attempt to force Moscow to ease the repression in Poland and to slow military spending and overseas operations.

Over the last year, government specialists report, Soviet short-term debt to Western banks jumped \$2 billion as Soviet cash reserves in institutions ranging from Deutschebank to Chase Manhattan Bank and Morgan Guaranty Trust fell \$2 billion.

The specialists also calculate that the Soviet trade deficit with the West, widened by huge food imports and falling world oil prices, passed \$3.5 billion last year, double the 1980 deficit.

Under those pressures, the Kremlin has felt compelled to sell an estimated 300 tons of gold, worth about \$3.5 billion, over the last six months. Soviet trading companies have also asked Western and Japanese companies to postpone collection of about \$1 billion in short-term debt.

Economic Leverage Seen

Moscow's problems have encouraged some administration policy-makers, centered in the Defense Department and the CIA, to believe that the West now has unusual economic leverage to influence Soviet policies.

The policy-makers view the situation in Poland not so much as the focus of policy as an opportunity to marshal support in Western Europe and Japan for an ambitious campaign to press the Kremlin not only to make concessions in Poland, but to make some hard choices on how to use its own resources and perhaps alter Soviet foreign and defense policies.

"Two things have been mixed up," said a senior Defense Department official, who asked not to be quoted by name. "One is the Polish sanctions. The other is a longer-term strategy to ensure the West does not become the source of aid and support for the Soviets to go on spending 13 to 15 percent of gross national product on defense. I think it's a benefit to the West to elevate the arms-versus-butter argument in the Soviet political hierarchy."

More concretely, Fred C. Ikle, undersecretary of defense for policy, urged U.S. banks on March 12 not to give Moscow credit for grain purchases. "Requiring them to pay hard cash will work to limit their ability to maintain the military expansion program they have under way," he said.

Another camp, centered in the State Department and Treasury Department, contends that the Soviet economy is too large, too nearly self-sufficient and too accustomed to tightening in times of stress for the Kremlin to be pressed into concessions on its vital interests or main lines of policy.

This group contends that for all its obvious cash-flow problems, Moscow has well over \$30 billion in gold reserves and hard-currency deposits in the West, more than enough to pay off its total Western debt of \$20 billion. Some officials also recall that Moscow resisted similar Western pressures in the early postwar period, and also recovered from a considerably worse foreign exchange problem in the mid-1970s.

'Part of a Strategy'

"Hard" generally refers to those currencies freely convertible among themselves, such as the dollar or the French franc; "soft" currencies such as the ruble are not generally convertible.

"The Soviet financial position has deteriorated sharply — but from a very strong base," a State Department official asserted. "What they're doing now is part of a strategy of selling short and buying big to keep flexibility for later on. Don't confuse the idea of their scrambling around because everything has fallen apart, with scrambling around to get all they can now because they are anticipating an American policy of a credit crunch."

By selling short, the Soviet Union can keep more of its resources for use in its domestic economy, and by buying big, it can build up a cushion of resources.

"There's a big difference between the difficulties the Soviets have, and bringing the Soviet economy to its knees," added another civilian policy-maker. "Economies that big don't collapse. The Soviet economy just shambles on. They're not too bothered. They don't run their economy well in normal times. Now, they'll just run it less well. But they can pull in their horns a lot more if they get into a really tight foreign debt bind."

Moscow's Achilles Heel

The two groups generally agree, however, that East Europe, especially Poland, is the economic Achilles heel for Moscow. They reason that even if Moscow can meet its own needs, it will not be able to cope simultaneously with the growing credit squeeze on Poland, Romania and other East European countries.

If that persists, as expected, most policy-makers believe, Moscow will eventually have to permit some liberalization in Poland and perhaps elsewhere. The problem for the West in applying economic pressures there, U.S. bankers say, is that the West itself can be hurt economically.

Forcing a Polish default on Western loans is a "very bad strategy," said Leif Olsen, chairman of the economic policy committee at Citibank. "It would have repercussions for the West as much as it would for the Soviet. And I'm not at all sure that it heightens the pressure on the Soviet."

These are some of the indications of Moscow's cash-flow problems cited by government and other experts.

- An increase in the Soviet Union's short-term debt last year to \$15 billion from \$13 billion.

- A drop in the level of Soviet hard-currency reserves in Western banks from \$8.3 billion at the end of 1980 to \$4.5 billion last Sept. 30 and an estimated \$6 billion at year's end.

- The requests to West German and Japanese trading companies to permit delayed repayment of about \$1 billion in short-term debt.

ness trading companies to permit delayed repayment of about \$1 billion in short-term debt.

- Moscow's purchase of 2.35 million metric tons of grain from Australia and the United States last month on 90-day to 180-day credits instead of the usual cash payment, but then reportedly being turned down on Friday by 90 U.S. banks when it sought more 180-day credits.

- An increase in the commodity trade deficit with hard-currency countries from \$2.5 billion in 1980 to an estimated \$3.4 billion to \$6 billion last year.

Major Reason for Deficits

"The Soviet economy is in terrible shape," commented Marshall Goldman, professor of economics at Wellesley College. "The Soviet cash-flow problem is an external manifestation of internal problems. Their grain problem is not just a theoretical exercise. It costs hard currency."

The major reason for the trade deficits was a big jump in Soviet food imports caused by the third consecutive bad grain harvest. These imports jumped from about \$9 billion in 1980 to \$12 billion to \$14 billion last year, a bit more than half of that grain and most of the remainder meat and sugar.

The Polish crisis added a complication: Western experts estimate that the Soviet Union had to underwrite something close to \$1 billion for Polish imports from the hard-currency area, not to mention indirect subsidies of Poland's trade with other Communist countries.

In one respect, Mr. Goldman asserted, the "Soviets were victims of the capitalist business cycle," the downturn in Western economies that contributed to falling world prices for some of its best exports — gold, metals and oil.

Jan Vanous, senior economist at Wharton Econometrics Forecasting Associates in Washington, estimates that Soviet exports of oil to the West, which account for roughly half the exports that bring in hard currency, earned \$17.2 billion in 1981, down about \$400 million from 1980.

But the loss of energy earnings was partly offset by increased sales of gold and raw materials and strong arms sales to countries such as Libya, Iraq, Algeria and Syria, which paid an estimated \$4.6 billion cash in hard currencies last year, according to Mr. Vanous and government specialists.

"This year, if oil prices fall to \$30 a barrel, the Russians are going to take a real beating in their foreign trade performance," Mr. Vanous said. "It will be quite dismal. They'll be forced to sell more gold — perhaps 450 tons. That would be very high indeed."

Moscow's most worrisome time came in the first half of last year, after heavy grain purchases. By June 30, Soviet hard-currency reserves in the West had declined to \$3.6 billion, a very low figure. But Moscow recovered in the early autumn and even more so in the final quarter of 1981, when export trade is normally strongest.

"There's a pattern to Soviet trade," a State Department official commented. "They buy grain in April-May-June, and that makes them look weak at midyear. And they sell oil in the fall, and that makes them look stronger."

"They're facing another crunch this summer because these new short-term credits will come due and because of a new wave of grain purchases that they will have to make," the official went on. "So the situation has gotten worse, but it's not critical. Far from it."

Moscow Manages Debt

Despite an overall debt to the West of about \$20 billion and debt-service payments last year of \$2.5 billion, Moscow still has what government specialists regard as a strong credit rating. Its debt is "peanuts" in relation to its \$15 trillion economy, a specialist said, and debt service is equivalent to only about 12 percent of its annual trade in hard currencies, a lower ratio than in Canada, for example.

Referring to the trading companies' request to their repayments of short-term credits from suppliers, Mr. Vanous said: "Haggling over little deals here and there is not the usual Russian way. But the Russians still remain a top credit risk. It's the future ability to repay that counts, and the Soviets are sitting on a mountain of national resources for export."

"They could afford to settle all their debts right now," he went on, echoing a view of half a dozen government specialists who asked to remain anonymous. "In addition to \$6 billion in hard-currency deposits in the West, government specialists estimate, Moscow has some deposits in Eastern Europe and Arab countries, plus a gold reserve of 1,800 tons that is worth \$20 billion to \$25 billion, depending on fluctuating gold prices. (Wharton experts put the gold reserve at 2,250 tons.) Annual Soviet gold production is estimated at 300 tons worth \$3 billion to \$3.5 billion."

Moreover, Western Europe's dependency on East-West trade enabled Moscow as recently as last month to obtain credits totaling \$900 million from France, Austria and Sweden, on top of major credits from West Germany for the controversial pipeline that is to bring Soviet natural gas to Western Europe.

Some U.S. officials contend that West German banks have extended Moscow roughly \$6 billion in credits for the pipeline, but that actually only \$4 billion will be needed by the Russians to purchase West German-made equipment.

High Pentagon officials, irked by Bonn's persistence on the pipeline, contend that this would leave Moscow with what one official

termed a "\$2 billion hard-currency float that will help the Soviets see through this period of hard-currency shortages."

"From a purely financial point of view, given the shakiness of the Soviet economy, the massive problems of the Warsaw Pact and reports that the Soviets are requesting delays in repayment of existing loans, I am not sure it is a good business practice to lend to the Soviets," asserted Mr. Ikle. "I do not see how such loans can be in the national interest."

Although the various factions of the administration have agreed to urge other Western nations to restrict credit to Moscow and Warsaw while the Polish repression continues, the natural gas pipeline has become the centerpiece of what some U.S. officials in private call a strategy of economic warfare.

Defense Secretary Caspar W. Weinberger has led the internal battle against the pipeline, supported by William J. Casey, the director of central intelligence. They have been frustrated by the refusal of Western European nations to cancel the project and thus deny the Soviet Union the \$8 billion in annual hard-currency earnings the pipeline could deliver later this decade.

'Arming Both Sides'

"We do not have the power to stop them," Mr. Weinberger told a Senate committee early this month. "We can only argue with them."

But denying or reducing Moscow's hard-currency earnings in any significant way, this group believes, would curtail Soviet ability to buy computers, microelectronics and other modern industrial goods from the West to develop a military-industrial complex.

"It will inhibit the rate of development and the capabilities of their weapons systems," a Pentagon official contended. "And it will inhibit their overseas operations wherever they have hard-currency costs — Cubans in Africa, Soviets in South Yemen and possibly Central America, the Arab world, Africa. With our trade, we in the West are in the absurd position of arming both sides."

Even without blocking the pipeline, some Pentagon officials want to delay it to try to disrupt Soviet internal development.

"We can't prevent the delivery of Soviet natural gas to Western Europe," a Pentagon policy-maker conceded, "but we can force a reallocation of the Soviet five-year energy plan — with profound implications for the Soviet economy."

According to this line of reasoning, the Russians could build the export pipeline even if critical Western components were withheld, by diverting resources from one of five domestic lines already planned for construction in 1981-85. This would be slower and more costly, and could curtail the internal flow of energy to Soviet industry. And the Pentagon officials argue that the sluggish performance of the Soviet economy makes it particularly vulnerable.

Many officials at the State, Treasury and Commerce departments disagree with that approach. They say it is impractical because, as Mr. Weinberger conceded, the West Europeans are too far along with the project to give it up, and thus Moscow cannot be denied the eventual hard-currency earnings.

"Most fundamentally, they contend it is impossible to disrupt the general flow of East-West trade without having adverse effects on Western European economies, noting that West Germany, France and other nations will benefit from receiving the gas and from the jobs created by manufacturing the pipeline equipment."

Moreover, U.S. intelligence officials estimate that Moscow has sufficient earnings to meet the high-priority needs of its military establishment and that past practice demonstrates that military spending is the last sector to feel any belt-tightening.

"It's highly unlikely that they would make any decisions affecting their vital security interests because of economic pressures," a policy-maker said. Another specialist added, "We have no evidence that defense spending is going to grow at anything less than the 4 or 5 percent of the past few years."

Government specialists report the Soviet leadership has already begun cutting back on

'There's a big difference between the difficulties the Soviets have and bringing the Soviet economy to its knees. Economies that big don't collapse.'

internal economic investment, scaling back its original target of 12 percent to 15 percent growth in the first half of the 1980s to 10.4 percent. This means slower growth in an economy chronically plagued by overcentralized management, labor shortages and productivity problems.

Both government specialists and academics such as Mr. Goldman, author of the forthcoming book "The Soviet System: Failure of the Stalinist Model," report that Soviet economic growth last year was sluggish, probably under 2 percent, as it had been in the previous two years.

Not only have the farm harvests been bad, Mr. Goldman said, but "things the Soviets were considered good at — steel production, coal output, automobile production — are at a standstill."

"The figures for January, 1982, production are below those for last year," he went on. "Practically everything is lower except natural gas. That amounts to a recession, and the Soviets aren't used to that."

Western specialists say Moscow is not taking chances on cutting back food imports, despite its foreign-currency squeeze. For although the Soviet population is much more passive politically than the Polish people, food shortages have caused some temporary and scattered work stoppages in the Soviet Union. Mr. Goldman has cited 10 to 15 such incidents

in the last 18 months in such places as Togliatti, the Donetsk coal mines, Kiev, Ordzhonikidze and Talmim.

For all those difficulties, however, experienced Soviet-watchers such as Mr. Goldman are skeptical that the Soviet economy can be pressed to the point of collapse from outside.

"The Russians have this ability to endure and suffer, particularly when it's made to look as though all the problems come from outside," he said. "They rally round the flag. The Soviet leadership is good at getting them to make sacrifices to combat what they portray as an external threat."

Burdens of Eastern Europe

"I don't know that you can push the Soviets to the wall that easily with financial pressures," commented Rimmer de Vries, international economist and senior vice president of Morgan Guaranty Bank. "The Soviets don't like to be cornered by financial issues or to change political policies because of financial pressures."

Where Moscow seems most vulnerable, however, is in East Europe, which faces even more severe credit problems than the Soviet Union. "With the Soviet economy standing alone, there is very little we can do," Mr. Vanous said. "But if we lump in Eastern Europe, the picture changes dramatically."

The net debt of Eastern Europe to the West is \$58 billion, roughly four times the net debt of the Soviet Union, even though the East European economies lumped together are less than half the size of the Soviet economy.

The Soviet economy is strong enough, by Mr. Vanous' estimate, to provide a hidden ruble subsidy worth \$20 billion to East Europe, either in the form of trade surpluses or discounted prices for vital oil and gas supplies. For example, government officials believe, the ruble subsidy to Poland's trade last year was worth \$4 billion, because Moscow exported to Poland close to \$6 billion worth of goods but got back less than \$2 billion worth.

The most significant element of the subsidy is the annual export of about 80 million tons of oil to East Europe at bargain prices estimated variously at one-half to one-third of world market prices.

The Kremlin has informed most East European leaders that their oil supplies from the Soviet Union will be cut 10 percent this year, to give Poland an extra 3 million tons and to permit Moscow to sell the other 5 million tons for hard currencies.

The problem is that East European economies are so hard-pressed financially that they will find it hard to compensate by buying oil on the world market. Eventually, specialists here believe, East European leaders will talk Moscow out of the 10 percent reduction.

"The Soviets cannot afford to create an economic crisis in Eastern Europe, as they learned in Poland," Mr. Vanous observed. "They can squeeze a little bit more, but not much. A credit crunch is already in motion on Eastern Europe. If it continues, we will see a severe economic crisis by mid-1983 in most of the East European countries."

Poland is the most vulnerable. Warsaw had so much trouble last year mustering \$3 billion to pay interest on debts to the West and another \$2.2 billion to pay for hard-currency food imports that it had to ask the West to roll over its debt, and Poland still needed \$1 billion or more in hard currency loans from Moscow, according to U.S. specialists. Poland has just made its interest payments that were due in 1981.

With the suspension of selected Western aid, including last year's \$750 million on easy credit terms for U.S. food shipments, Poland faces even tighter straits this year.

"The financial situation forces the Soviets to think long and hard about the added costs of the Polish repression," a U.S. policy-maker said.

But, another knowledgeable official countered: "The idea of the Soviets assuming the Polish debt burden doesn't make sense. It's just too large for them. Besides, it's money owed to the West, and Western institutions have a stake in keeping Poland alive. The way the Soviets look at it, the more we do for the Poles, the more we bail out the West. Why should we do that?"

The Pentagon-led faction vigorously advocates letting Poland fall formally into default on its loans, calculating that this will disrupt East-West trade and financial relations generally.

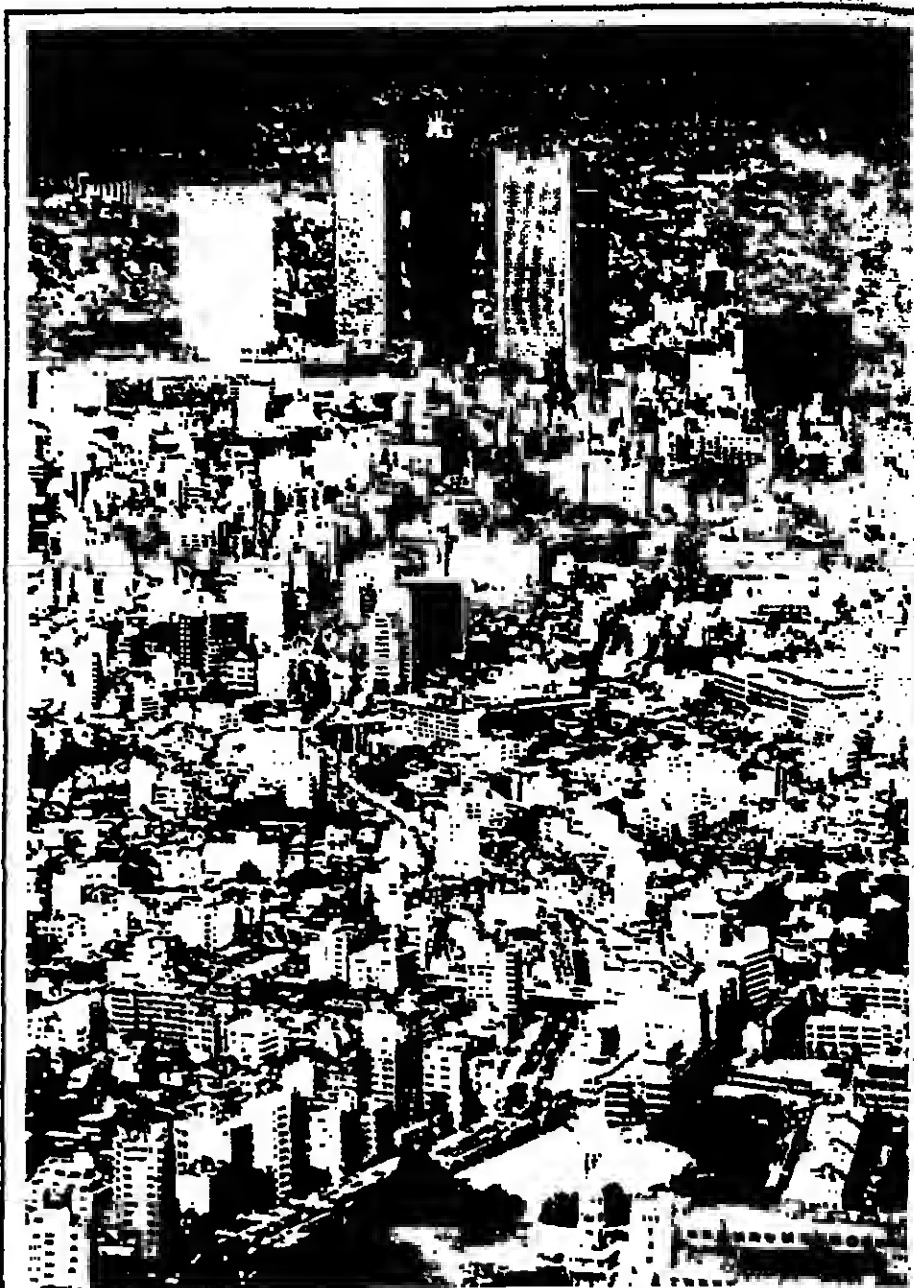
But American bankers such as Mr. Olsen and Mr. de Vries, as well as State, Commerce and Treasury department officials, have opposed this. Their argument is that it will not only jeopardize the chances for ultimate repayment to U.S. banks, but cause a dangerous rift with West Europe, to which East-West trade is vital.

"The critical point is the domino effect," Mr. de Vries observed. "Because of Poland, all the Western banks are becoming more reluctant to give new credit to Eastern Europe. Politics and banking are getting entangled. It's not just Poland — it's the whole shebang."

Moreover, as Mr. Goldman and other long-time students of the Soviet Union note, a clear-cut halt in Western trade and credits would make it easier for the Kremlin to rally the Soviet people to make sacrifices and protect vital policies. It would put the greatest economic and financial burden on East Europe.

Some government officials and outside specialists contend that it would be more effective merely to continue the current, less-dramatic approach in which Western banks, worried about collecting on their past loans, gradually restrict the flow of new credits to East Europe and slowly tighten the squeeze. The object would be to prod the Polish leaders, and perhaps others, to get Moscow to permit political and economic liberalization in East Europe in return for Western financial help.

"If the Soviets want badly to cut back the cost of empire, they need more efficient economies in Eastern Europe," Mr. Vanous said, echoing a theme of the State-Treasury group. "That means economic decentralization and political liberalization."



Buildings stretch as far as the eye can see in Tokyo.

Despite Prosperity, Japanese Complain Of Housing Crunch

By Tracy Dahlby
Washington Post Service

TOKYO — At the elbow bend of the Sumida, the river that flows through Tokyo's eastern flank, lies a neighborhood called "The Garden of a Hundred Flowers" where Sadamitsu Ishii lives with his wife and two teen-age sons.

Mr. Ishii, a history buff, says that in the days of the country's Samurai rulers the area was the haunt of some of Japan's most celebrated men of letters. It was also one of the city's flourishing entertainment districts where the warrior elite and rich townsmen thronged the teahouses to revel in the company of courtesan geishas.

Today, a little over a century later, the charm of that bygone era has vanished and Ishii's neighborhood is a warren of overcrowded, tawdry apartment blocks and ramshackle houses that may fit more the foreign visitor's image of a slum district in a large American city than the capital of this economic superpower of 117 million people.

Quality of Life

Today, in a country where the overall quality of life is among the world's highest, the average family of four lives in only three rooms, covering an area of roughly 700 square feet.

The housing crunch has touched off an outcry among a growing number of Japanese who complain that the government has in the postwar period pursued policies that have pumped the country's rapidly accumulating wealth into the expansion and upgrading of industry at the expense of better homes.

Meanwhile, critics in the United States and Western Europe have charged that Japan has piled up devastating surpluses with its major trading partners while its leadership has allowed most Japanese to live in what even the Japanese now self-mockingly refer to as "rabbit hutches."

Japanese in the densely populated urban centers put up with housing conditions that are among the worst in the industrialized world.

"Viewed from the outside," said Mr. Ishii, 45, whose yearly income of \$18,000 qualifies him as a member of Japan's burgeoning middle class, "Japan is an economic giant. But if you look at family budgets and housing conditions, many people are just getting by."

Postwar Dream

The Japanese have scrimped and saved to pursue the postwar dream of owning their own homes. At only about 8 1/2 percent, commercial mortgage rates here are almost ridiculously low compared to those in the United States. But the dream has become an increasingly impossible one in the face of skyrocketing land and construction costs that have nearly quadrupled over the past decade.

In Tokyo, by most standards the world's most expensive city, buying a home remains an outrageously expensive proposition. A square foot of land in one of the city's bustling commercial districts may sell for \$1,500 and a small, cheaply built home in the suburbs cost upward of \$160,000, or nearly eight times the average worker's yearly earnings. A modest, Western-style home that approaches U.S. suburban standards may cost \$750,000 or more.

In the face of strong and mounting trade complaints, editorialists in the Japanese press have recently suggested that the government embark on a belated program to spend significantly more official funds to enhance housing and public recreational facilities.

In theory at least, this would help boost Japan's slumping domestic economy and relieve some of the pressure on exports as the major prop for business activity here. Hampered by huge budgetary deficits, however, Tokyo has committed itself to a new fiscal austerity drive and has resisted pressure to expand government-sponsored housing subsidies.

Last year, a decline in workers' real incomes and escalating construction costs resulted in only 1.2 million new housing starts,

the lowest in nearly 15 years. Naoko Nagao, an executive at Tokai Real Estate Co., illustrated the dear outlook in the industry here by pointing to the 20,000 newly built condominium apartments in Tokyo alone which are now vacant, he said, largely because no one can afford to buy them.

In Japan, a string of volcanic islands with a relatively small land area, living space has always been tight because of the rugged mountainous and rocky terrain that make only about a quarter of the country fit for human habitation.

In recent years, the government has stepped in to free more land for residential use in such swarming cities as Tokyo by rezoning urban areas to encourage the relocation of factories and farm plots beyond city limits. These efforts have met with only limited success, however, because, Mr. Nagao explained, "landowners don't want to sell their property when they think the value will only climb in the future."

Another recent survey indicates that nearly two-thirds of all Japanese households now own their homes. But as the costs have soared, many younger Japanese have given up on putting money aside to buy homes. Instead, they have begun to fritter away an increasingly larger portion of the country's traditionally high rate of savings on clothes, cars, entertainment and travel.

Step into Mr. Ishii's mansion, or "mansion," as the Japanese euphemistically refer to the typical steel-and-concrete apartment building here, and you will find three tiny rooms, covering an area 18 feet by 18 feet.

Cramped Quarters

In an alcove near the entrance is a narrow kitchen counter with a two-burner hotplate where Mrs. Ishii does the cooking for her family of four. There is a color television, a miniature washing machine and refrigerator and a host of other high-quality Japanese consumer gadgets crammed into the apartment that gives it the appearance of cramped living quarters on a space station.

There is no central heating or air conditioning and no closet space to speak of. Now that her two teen-age sons are getting bigger, Mrs. Ishii said, "I get the feeling that we're constantly bumping into each other."

Mr. Ishii, who rents the apartment for a little more than \$300 a month, said, "We've already given up on owning our own home. Even if we could buy a new condominium it would cost at least \$100,000 and we'd only have one more room. Who wants to buy a hunk of concrete anyway?"

Mr. Ishii considers himself lucky, though, because it takes him only five minutes to walk to work, an almost unheard-of luxury in a city where the average one-way commuting time on the highly efficient train and subway network is more than an hour.

Last year, Takashi Akino, 39, moved his family of four into a new \$120,000, two-story house he had built in a booming bedroom community a 90-minute train ride from central Tokyo. Spacious by Japanese standards, the house has a floor space of 1,500 square feet with three small bedrooms upstairs, a living-dining area and a tatami-mat room downstairs and a small garden.

Domestic Dilemma

Yoko, Mr. Akino's wife, said, "building a house was our biggest dream and we never thought we could afford it at our age." They were able to manage it, she said, because her husband, a bank employee, qualified for a nearly interest-free loan from his employer.

Domestic dilemmas are common in Japan's increasingly mobile society, where the strong traditions of the family have begun to break down.

"These days," Mr. Ishii explained, "people are often driven beyond their means to strive for better housing and, in many cases, it's the kids who suffer, because some parents are forced to hold down jobs that keep them both out of the home a large part of the day. Like a growing number of their contemporaries, Mr. Ishii said, "we've decided we're not going to do that."

BUSINESS NEWS BRIEFS

Procter & Gamble to Buy Pharmaceutical Unit

CINCINNATI — Procter & Gamble said Wednesday that it has agreed to acquire the pharmaceutical unit of Morton-Norwich Products for \$371 million. The transaction is subject to regulatory approvals. The unit, Norwich-Eaton Pharmaceuticals, produces and sells over-the-counter medications, prescription drugs and other drug products sold primarily to hospitals. The business had total profit of \$22 million on sales of \$216 million for the fiscal year ending last June 30. Procter & Gamble, a leading maker of soaps, detergents and household paper products, said that it did not plan any immediate changes in the operations of Norwich-Eaton, but added that the acquisition will provide the company with "an entry into categories of growing business in which we do not currently compete."

Boeing Shelves Retrofitting Option to Airlines

WASHINGTON — Boeing has shelved a plan to offer airlines the option of retrofitting their 727 aircraft instead of buying new-generation aircraft, according to H.C. Munson, vice president of strategic planning for Boeing Commercial Airplane. American Airlines and others had expressed some interest in Boeing replacing the engines and cockpits of older 727s, considered the workhorse of the industry, with new-generation engines and new cockpits with the latest avionics equipment. But Mr. Munson said Tuesday that the company's studies had determined the project is not feasible. The airlines currently do not have the profit necessary to make commitments on ventures that would entail significant development costs such as the retrofitting project, he said, adding that if profits return to the industry, airlines likely would choose instead to order Boeing's new line of aircraft, the 757 and 767.

Texas Instruments Lays Off 3% of Workforce

DALLAS — Texas Instruments, citing a slump in sales of computer components, on Wednesday laid off 2,700 workers, or about 3 percent of its worldwide workforce. The company said the cuts primarily affect its semiconductor and distributed computing operations, both of which have experienced soft market conditions and excess capacity for most of 1981. Texas Instruments said it had hoped that selective use of short-term measures such as short work weeks would be adequate, but the continued weakness in U.S. and European economic activity made the job cuts necessary.

Schering Says Group Profit Increased in 1981

WEST BERLIN — Schering group profit in 1981 will show a rise on 1980 and parent company net profit in 1981 will be similar to that recorded in 1980, the West German chemical and pharmaceutical company said Wednesday. It said group turnover rose 19 percent to 3.83 billion Deutsche marks in 1981 from 1980. Parent company domestic turnover rose 0.5 percent to 597 million DM, but showed a real volume fall of 3 percent, it said. World group net profit was 77.8 million Deutsche marks in 1981 while parent company net profit was 72.8 million DM. Schering said results were positive in most countries in 1981, though there were losses in the U.S. sector because of high interest rates and the general economic climate. Parent company export sales rose 17.4 percent to 1.13 billion DM, it said.

Wienerswald Chain to Sell Franchises

MUNICH — Two-thirds of the worldwide chain of some 1,550 Wienerswald restaurants will be sold as franchises in an attempt to improve the liquidity of the Wienerswald Group, Kurt Lichtenstein, the company's finance manager, said Wednesday. He said the need for cash arose after two bank creditors had demanded repayment of some \$1.25 million in debt. He said the banks' action was "to be seen as a normal business transaction." In the last three years, the group, controlled by the Swiss-based Wienerswald Holding, borrowed almost \$110 million from 24 West German and Swiss banks to finance expansions and acquisitions. Earlier, Friedrich Jahn, the head and founder of the Wienerswald Group, said in Los Angeles that the company "wasn't in any danger" as long as other banks did not call in their debts. In 1981, the Wienerswald Group, which also owns the Tourist hotel chain and a travel agency, had sales of \$924 million.

French, Belgian Francs Fall On Rumors of Realignment

LONDON — The French franc, troubled by rumors of a devaluation within the European Monetary System, fell sharply Wednesday against the dollar and the pound, dealers said. The Belgian franc, another currency rumored to be in line for a downward shift within the EMS, also closed weaker at 44.315 to the dollar against 44.145 Tuesday. The currency is also affected by strikes and industrial unrest in Belgium, the dealers noted. Dealers in Brussels said they thought Belgium's National Bank had intervened during the day to support the franc. In the week ended last Monday, the National Bank spent nine billion francs in supporting the Belgian currency in the first major intervention since an 8.5-percent devaluation of the franc Feb. 22. Meanwhile, the dollar recovered from the day's lows in London after a lively afternoon's trading, dealers said.

French Raise Rates
The French franc fell to 6.1375 against the dollar from 6.1225 Tuesday and to 11.0950 to the pound from 11.0480 amid continued speculation of an EMS realignment. According to rumors, the realignment would involve the devaluation of the Deutsche mark and the guilders against the French franc and a downward adjustment of the Belgian franc and other currencies, dealers have said. In response to the weakness of the French franc of the foreign exchange market, French authorities raised short term interest rates, with overnight funds raising Wednesday morning to a six-week high of 15 percent from 14 percent after the seven-day rate had been boosted to 15 percent Tuesday from 14 percent.

Dealers in Paris said that the Bank of France may have sold as much as 100 million Deutsche marks as the West German currency was fixed at midday at a new high against the franc of 23.25 francs per 100, dealers said. Tuesday's fixing was 23.40 and Wednesday's opening rate was 23.76.

The dollar finished generally easier on balance in London — a trend that continued at the mid-session in New York — after Euro-dollar deposit rates showed an easier trend after U.S. markets opened, while fed funds rates were also slightly lower. Euro-dollar deposit rates finished about 1/4 point lower on the day, with most of the decline coming in the afternoon session.

Wholesale Volume Off By 6% in W. Germany

WIESBADEN, West Germany — West German wholesale turnover volume declined in January by almost 6 percent from the year-ago month, the federal statistics office said Wednesday. Turnover volume fell 5 percent in December from the year-earlier month. In value terms, turnover rose in January by 2 billion Deutsche marks, or 4 percent.

New Law Helps GE Turn Tax Liability to Refund

By Thomas B. Edsall

Washington Post Service

WASHINGTON — General Electric, which had pre-tax earnings of \$2.66 billion in 1981, capitalized so successfully on the bill Congress passed last year letting corporations buy and sell tax breaks that it will get a net tax refund of \$90 million to \$100 million from the federal government.

A second highly profitable company that bought up tax breaks last year, Standard Oil of Indiana (Amoco), which had a pre-tax income of \$3.46 billion, was able to reduce its federal liability by \$159 million through tax "leasing," although the oil company still paid several hundred million dollars in federal taxes.

These figures emerged from annual reports for 1981 that are just being released and from interviews with company officials. GE and Amoco are generally believed to have been among the most active companies buying up tax breaks. They bought the credits and depreciation write-offs from such companies as Chrysler, Pan American, Cleveland Electric, Commonwealth Edison and Phelps Dodge.

Subsidy Purchases

The benefit was most dramatic in the case of GE, which went from \$426 million in tax payments in 1979 and \$330 million in 1980 to its refund in 1981.

The company was able to achieve a negative tax situation largely through the purchase of tax credits and depreciation write-offs by a subsidiary, General Electric Credit Corp. GECC bought tax breaks from at least nine companies and utilities through

Dole Repeats Pledge to Repeal or Restrict Provisions Allowing 'Leasing Bonanzas'

Washington Post Service

WASHINGTON — The chairman of the Senate Finance Committee reaffirmed Tuesday a commitment to repeal or to restrict the corporate tax leasing provisions of the 1981 tax bill as another profitable company, International Paper, disclosed that it sold tax breaks last year for more than \$100 million.

Sen. Robert J. Dole of Kansas, angered that General Electric was effectively able to wipe out its 1981 tax liability and collect a net refund of between \$90 million and \$100 million, said:

"I am afraid the General Electric windfall is only the tip of the leasing iceberg. Undoubtedly, as annual reports are

made public, many other leasing bonanzas will come bubbling to the surface. In my view, Congress has a responsibility to terminate this form of corporate welfare."

International Paper, in its annual report, said it sold tax benefits on \$548 million in property, plant and equipment in December, 1981.

The company, which had net earnings of \$325 million but got a federal income tax refund of \$43.1 million, sold the tax benefits for what appears to be about \$130 million, although that figure is below what many say have been market prices, and it may be that the company will get additional money in the future.

leases on about \$1.4 billion worth of equipment.

The 1981 tax bill allowed companies to buy and sell tax breaks through leases; a company "leases" a piece of machinery and acquires the tax breaks associated with its cost. The provision was sold to Congress as a benefit for weaker companies. It has become controversial because profitable companies, such as Occidental Petroleum, are also selling their unneeded tax breaks.

On the surface, the GE report indicates the company was preparing to pay \$529 million in federal taxes for 1981. In the more

detailed notes, however, the company said that the credit company subsidiary produced "provisions for taxes recoverable" of \$633 million for 1981.

This \$633 million, about one-third of which resulted from buying tax benefits, was used both to reduce the 1981 tax liability and to get a refund on the prior year's taxes, according to John F. McCoy, the company's tax manager.

Although GE did not spell out the process, Mr. McCoy said that federal law restricts the use of investment tax credits, the major first-year benefits from tax sales, so

that a company can only eliminate 80 percent of its federal liability by this means.

As a result, he said, the company had to pay 1981 taxes of between \$50 million and \$60 million — he would not provide precise details — but then, by virtue of the same leases, it was able to collect a refund on past years of about \$150 million, for a net gain of \$90 million to \$100 million.

Mr. McCoy noted that "even though we have reduced our 1981 liability and have generated credits," GE's benefit was not the full amount of the tax savings because it had to pay out significant amounts of cash in buy the tax breaks.

Standard Oil of Indiana said directly in its annual report that "income tax expense for 1981 has been reduced by \$159 million, reflecting the effect of tax benefits purchased."

The company said it expects to pay \$390 million in federal taxes in 1981, compared with \$433 million in 1980, although it was not clear whether the reduction resulted primarily from buying tax breaks.

The company did note, however, that investment tax credits for 1981 increased sharply from 1980, going from \$106 million to \$334 million, although no breakdown was provided in show how much of the credits resulted from investments for the company and from purchased credits.

The effective tax rate when all state, local, foreign and federal taxes are calculated dropped from 46.7 percent in 1980 to 44.4 percent in 1981 "primarily due to higher investment tax credits associated with tax leasing arrangements," Amoco said in its report.

IMF Urges U.S. to Trim Big Deficits

New York Times Service

WASHINGTON — The International Monetary Fund, which provides aid and advice to the world's troubled economies, has commented publicly for the first time on the U.S. fiscal debate, calling for tax increases and budget cuts to reduce the huge projected deficits.

In an address before the American Enterprise Institute Tuesday, Jacques de Larosière, managing director of the 145-nation monetary institution, said that, despite limited opportunities for tax increases, "it may still be a wiser course of action in some cases to raise taxes, focusing on those taxes with the least disincorporate effects, than to live with high deficits."

He told members of the conservative economic research group that, without corrections, the projected deficits of more than \$90 billion in the current fiscal year and in the 1983 fiscal year threatened to crowd out private investment and continue high rates of interest that are causing "many serious problems both for the United States and the rest of the world."

He suggested that indirect taxes, such as excise taxes on tobacco and alcohol, could be raised without undermining the principles of supply-side economics, the principal goal of which is to stimulate capital investment through lower taxes.

Mr. de Larosière's analysis carries weight because of the role of the IMF as an economic and financial consultant to member countries, especially those needing international loans to reduce balance-of-payments deficits. The fund makes such loans, but only after governments accept stipulations specified by it that require the countries to take such economic measures as devaluation of currencies, wage freezes and import restrictions.

The United States, while a major contributor to the fund, does not borrow from it.

Mr. de Larosière said that although it was difficult to find statistical evidence of a relationship between interest rates and deficits in the United States, "let's not delude ourselves, deficits do affect interest rates and they do crowd out private investment."

Although Mr. de Larosière singled out such other countries as West Germany, Italy and Japan as guilty of perpetrating high deficits, he added that they also had higher rates of savings than the United States to finance their deficits.

Factory Use NYSE Prices Lose Ground on Budget Worries

From Agency Dispatches

WASHINGTON — U.S. factory operating rates went up in February by 1.2 percentage points to 71.8 percent, the first improvement since July, the Federal Reserve Board reported Wednesday.

The news was basically in line with the board's Tuesday report that February industrial production levels rose 1.6 percent for U.S. industry as a whole and 1.8 percent for manufacturing.

With manufacturers turning out more goods last month than in January, it stood to reason that they would have been using more of their production capacity.

Most private analysts said the improvement did not signal an end to the recession but was expected because of the severe effect January weather had on deliveries and absenteeism.

The Fed revised its figures for January to show a decline in factory use of 2.3 percent. It had initially reported a 2.5 percent drop.

February's figures showed oil refineries dropping to just below 70 percent, the lowest point since the Fed began to document operating rates in 1948, a symptom of the abundant supplies of gasoline and fuel oil.

Despite a 3.5 percentage point gain, the auto industry's operating rate remained below 50 percent, the Fed said.

The nation's factory operating rate first dipped under the low point of the 1980 recession in November but is still slightly above the 69 percent rate reached during the 1975 recession. In 1973, the operating rate reached a high of 88 percent.

West Germany Expected to Cut Its Rates

By Donald Nordberg

Reuters

FRANKFURT — The recent decline in oil prices and the consequent relief in inflationary pressures have created a climate for a further near-term decline in official West German interest rates, commercial bank economists said Wednesday.

Such a move could, for a while, take some of the pressure off other currencies of the European Monetary System.

But the persistent strength of the dollar and the renewed firmness of U.S. interest rates has kept alive at least some doubts as to whether the Bundesbank will cut its special Lombard rate as early as Thursday, when the Bundesbank council meets, they said.

Opinion in the financial markets and among economists is still divided, though tending now to favor of a cut. A senior foreign exchange dealer said it is likely a cut of at least a half percentage point from the current 10-percent rate will be made Thursday while a cut of a full point is clearly possible, he said.

In the money market, banks have also been careful not to build reserve asset levels too high, but dealers said this is more a precaution than any certain feeling that a reduction will come.

As the expectation of a cut firming, rates for call money touched 9.85 percent in quiet trading Wednesday, off from about 9.95 Tuesday and just over 10 percent late last week, though they ended the session back at 9.95 percent.

Dealers in Paris said that the Bank of France may have sold as much as 100 million Deutsche marks as the West German currency was fixed at midday at a new high against the franc of 23.25 francs per 100, dealers said. Tuesday's fixing was 23.40 and Wednesday's opening rate was 23.76.

cent as the first quarterly tax payments began to drain liquidity from the market.

However, one economist argued that opinion inside the Bundesbank is still strongly divided about the rate cut's timing for achieving the central bank's goal of a gradual relaxation of policy. But, he added, the monetary "doves" are gradually gaining the ascendancy.

The "doves" are worried about taking steps that would hurt international confidence in the Deutsche mark, and in this context, the rise this week in the rate for federal funds in the United States is disturbing, he said.

A cut in special Lombard rate, or even its elimination and the return of "normal" Lombard at the old 9-percent rate, seems highly likely some time in the next few weeks, the bankers said.

The oil price cuts, both official and unofficial, spell a further cut in the West German inflation, as long as the dollar-mark rate holds generally steady. Furthermore, consumption of oil products continues to show a marked decline, down about 15 percent in January against the year earlier level.

The "hawks" in the Bundesbank

argued that oil price declines have been offset by rises in gas prices, which normally follow oil prices, but only with a distinct time lag, an economist said. Even so, he continued, two local gas authorities have already notified customers of a gas price cut and others are likely to follow, giving the Bundesbank "doves" another argument for lower interest rates.

Bundesbank President Karl Otto Pöhl told West German journalists after his talks with U.S. monetary officials last week that he expects U.S. interest rates to decline soon. If his impression is correct, the main argument against cutting West German rates would fall away, the economists said.

The risk would then come only in the short term, where the Deutsche mark could decline to 2.40 in the dollar, the bottom of what the economists see as the "acceptable" trading range for the Bundesbank.

But the markets are gradually perceiving the improvement in the fundamentals of the West German economy, not least the moderate wage settlements this month, which the economists said would mitigate any pressure on the mark.

In another sign of eroding business support for the Reagan administration, American Stock Exchange president Arthur Levitt, Jr. bluntly warned on Wednesday that President Mr. Reagan must alter his original economic program so as to reduce crippling deficits and save the country from "colossal uncertainty."

On Tuesday, Salomon Brothers economist Henry Kaufman added to the pessimism on Wall Street when he projected a 1983 deficit of \$135 billion, compared with White House estimates of \$96.4 billion. He also said the budget uncertainty will be "very dangerous" to the economy and warned the administration's deficits could block recovery.

Mr. Levitt said that a bi-partisan compromise restraining growth of the deficits had to be reached before June or July to prevent further deterioration in economic conditions. He expressed a fear that Mr. Reagan had become "wedded to a particular program" and that Mr. Reagan "made a mistake, last fall, in following the extreme treatment prescribed by the supply-siders while abandoning the option of making significant progress toward the basic goal of the budget-balancers."

Murray L. Weidenbaum, chairman of the Council of Economic Advisers, said Wednesday that federal budget deficits will not prevent significant declines in interest rates or abort an impending economic recovery. He said that the precise speed and strength of recovery will be affected by how quickly interest rates decline from current high levels.

Analysts said the stock market also reflected "window dressing" by institutions, which are adjusting

their portfolio holdings before the end of the first quarter and appear to be minimizing their position in stocks.

However, Mr. Metz said the market is resisting a steep decline. "There has been a complete washout in the oils, where investors are exhibiting sellers fatigue, and selling in the technology stocks has also dried up," these

two groups led the market's decline of the last several weeks. Some technology and oil stocks picked up Wednesday, including Digital Equipment 1 1/4 to 7 5/8, Datapoint 3/4 to 2 1/4, Tandy 3/4 to 2 3/8 and Tesoro 3/4 to 1 3/4.

Analysts said one of few positive oases in the market was a rise in the Dow Jones transportation index, which rose 0.55 to 325.30. It was the only index to record a gain.

In corporate news, Shell said capital and exploration expenditures will rise to \$4.3 billion in 1982 from the \$4.1 billion spent in 1981.

Shell said about 70 percent of the 1982 spending will be for exploration and development of domestic energy resources. It said that over the last five years its capital and exploration spending has totaled \$17.5 billion.

Delta Air Lines said it completed a \$350-million loan agreement which will help it fulfill outstanding aircraft purchase commitments.

It said new housing starts for the year totaled 1,123,693 units, compared with 1,331,440 in 1980. In the fourth quarter, housing starts totaled 213,197 units, down 42 percent from 370,107 in the last three months of 1980.

This Advertisement appears as a matter of record only. These Debentures have been sold outside Canada and the United States of America.

New Issue

17th March, 1982



Province of Nova Scotia

U.S. \$75,000,000

15 1/2 per cent. Debentures due 1989

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited

Banque de Paris et des Pays-Bas	Credit Suisse First Boston Limited
Deutsche Bank Aktiengesellschaft	Dominion Securities Ames Limited
Hambros Bank Limited	McLeod Young Weir International Limited
Merrill Lynch International & Co.	S. G. Warburg & Co. Ltd.
Algemene Bank Nederland N.V.	Amro International Limited
Bank Julius Baer & Co. AG	Bank Leu International Ltd.
Banque Nationale de Paris	Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank	B.S.I. Underwriters Limited
Chase Manhattan Limited	CIBC Limited
Commerzbank Aktiengesellschaft	Continental Illinois Limited
Crédit Commercial de France	Daewoo Europe Limited
Dresdner Bank Aktiengesellschaft	Eurocombiare
Greenfields Incorporated	Groupeement des Banquiers Privés Genevois
Kuwait International Investment Co. s.a.k.	Lehman Brothers Kuhn Loeb International, Inc.
Lévesque, Beaubien Incorporated	LTCC International Limited
Midland Guaranty Limited	Samuel Montagu & Co. Limited
Morgan Guaranty Ltd	Nomura International Limited
Orion Royal Bank Limited	Pierson, Helderling & Pierson N.V.
Salomon Brothers International	Rabobank Nederland
J. Henry Schroder Wagg & Co. Limited	Richardson Securities of Canada (U.K.) Limited
Smith Barney, Harris Upham & Co. Incorporated	Société Générale
Svenska Handelsbanken	Swiss Bank Corporation International Limited
Verband Schweizerischer Kantonalbanken	Vereins- und Westbank Aktiengesellschaft
J. Vontobel & Co.	Westdeutsche Laodensbank Girozentrale
	Wood Gundy Limited
	Banka del Gottardo
	Banque Bruxelles Lambert S.A.
	Baring Brothers & Co., Limited
	Burns Fry Limited
	Citicorp International Group
	County Bank Limited
	Deutsche Girozentrale-Deutsche Kommunalbank
	Genossenschaftliche Zentralbank AG-Vienna
	Kansallis-Osake-Pankki
	Manufacturers Hanover Limited
	Morgan Grenfell & Co. Limited
	Nordic Bank Limited
	Pitfield Mackay Ross Limited
	Skandinaviska Enskilda Banken
	Société Générale de Banque S.A.
	Traditio International S.A.
	Westbank Aktiengesellschaft

NYSE Nationwide Trading Closing Prices Mar. 17

Tables include the nationwide prices up to the closing on Wall Street.

Stock	High	Low	Open	Close	Volume	P/E
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12

Market Summary	
March 17, 1962	
Dow Jones Averages	
Industrial	10,000.00
Transportation	1,500.00
Utilities	1,500.00
Market Diaries	
NYSE	10,000.00
AMEX	1,500.00
NYSE Most Actives	
IBM	1,200,000
GE	800,000
AT&T	1,500,000
NYSE Index	
10,000.00	1,500.00
Standard & Poors Index	
1,500.00	1,500.00
AMEX Most Actives	
AMEX	1,500.00
AMEX Stock Index	
1,500.00	1,500.00
Odd-Lot Trading in N.Y.	
1,500.00	1,500.00
Dow Jones Bond Averages	
1,500.00	1,500.00

Stock	High	Low	Open	Close	Volume	P/E
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12

Stock	High	Low	Open	Close	Volume	P/E
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12

Stock	High	Low	Open	Close	Volume	P/E
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12

Stock	High	Low	Open	Close	Volume	P/E
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
IBM	165 1/4	164 1/4	164 1/4	165 1/4	1,200,000	15
GE	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12
AT&T	36 1/4	36 1/4	36 1/4	36 1/4	1,500,000	18
Westinghouse	24 1/4	24 1/4	24 1/4	24 1/4	600,000	10
General Electric	28 1/4	28 1/4	28 1/4	28 1/4	800,000	12

ASK FOR IT EVERY DAY.
EVERYWHERE YOU GO.
International Herald Tribune
We've got news for you.

Handwritten signature or mark.

FILE-150

OPEC's Failure: Its Inability to Operate as a True Cartel

By Douglas Martin

New York Times Service

NEW YORK — As the Organization of Petroleum Exporting Countries prepares to meet in Vienna on Friday, analysts are suggesting that the once-feared alliance of oil-producing countries has lost its pre-eminent role in setting world oil prices, perhaps irrevocably.

"OPEC may be facing the biggest crisis since it won control of the world oil market," says Daniel Yergin, an energy expert at Harvard University.

Others are even more emphatic. "OPEC is 100 percent dead," William Brown of the Hudson Institute asserts. "There's nothing to save them."

Mr. Brown and similar critics are referring to what OPEC is able to achieve as a would-be cartel, not to the influence of its individual member countries. These producers will continue to pump oil and be well compensated, regardless of the effectiveness of the organization that has bound them since 1960.

Falling Output, Prices

In essence, OPEC, which is producing less oil than in any year since 1969, is failing in its mission of setting and defending oil prices. The main reason is a sharp drop in petroleum demand that has caused a persistent worldwide oversupply.

This is driving prices substantially below OPEC's official rates, with many analysts now predicting that prices will continue to fall in inflation-adjusted terms for some years. If the OPEC price breaks, analysts such as Mr. Brown suggest that it could drop to half its current level.

To be sure, there are others who warn against being so quick to count OPEC out. They caution that polit-

cal disruptions in the Middle East could alter the world oil market almost overnight and, with it, OPEC's influence.

But for now, most analysts agree, OPEC confronts sizeable difficulties that are dramatized by the following evidence:

- Largely because of heightened efficiency in the use of energy, worldwide oil production has fallen 17.3 percent from 1979, to 40.2 million barrels a day, according to figures prepared by Manufacturers Hanover Trust Co.

- OPEC countries have seen production fall by 31.4 percent during this period, and they owe account for less than half of the production of the non-OPEC world, down from 64 percent three years ago.

- The 13 countries, many of which are experiencing severe cash-flow problems because of declining oil sales, are using only three-quarters of their capacity, compared with 97 percent in 1979. OPEC members are under pressure to increase sales, even if that means cutting prices.

The consequences may prove to be a transfer of wealth away from the oil-producing countries and the oil companies back to other areas of the world and national economies. The effect of such a shift, economists suggest, might be a continued easing of the inflation rate and a lift to economic growth because of lower costs.

But it could also set off a return to the sort of energy profligacy that made OPEC's ascent possible in the first place, as well as provide a powerful disincentive for investments in additional energy sources, experts say.

The challenge to OPEC can be defined as its urgent need to limit its output to prop up prices in the face of today's shrunken market. But OPEC has over-

been able to agree on overall production levels or how to divide cutbacks among members, much less on how to enforce such a policy.

"OPEC's ability to influence prices has always been tremendously overstated," says Bijan Mossavar-Rahmani, until 1978 an Iranian delegate to OPEC conferences. "Forces very much out of OPEC's control govern oil prices."

In essence, Mr. Mossavar-Rahmani and other analysts argue, market forces and production decisions by one member, Saudi Arabia, have been the major determinants of world oil prices, with OPEC as an organization simply ratifying the results.

Others, however, counter that the very existence of OPEC has exerted upward pressure on prices in periods of tight supply by adding momentum to the psychology of the rising market, and setting a floor price in slack markets.

Additional Pressure

Now, non-OPEC energy supplies are growing at a 4 percent annual rate, directly supplanting OPEC oil, putting new pressure on official prices in the 13 nations.

For countries that have become accustomed to exponential revenue growth, the effect is painful. Bankers Trust Co. estimates that the surplus (the difference between total income and expenditures) of OPEC members will shrink to \$51 billion this year from \$82.4 billion last year. The budgetary pressures are worse than the figures seem, however. Only four of OPEC's members — Saudi Arabia, the United Arab Emirates, Qatar, and Indonesia — are pumping enough oil to pay all their bills.

The organization's economic problems are intensified by political animosities. Two members, Iran and

Iraq, are at war. Iran has charged that Saudi Arabia has flooded the world with oil in a direct effort to stave off its sales, a charge Saudi officials privately acknowledge contains a measure of truth.

OPEC's greatest success, in the opinion of Sheikh Ahmed Zaki Yamani, Saudi Arabia's oil minister, and many of his colleagues has been to seize control of their own resources from the international oil companies, which as recently as a decade ago virtually dictated production and pricing decisions to the governments of producing countries.

But after raising prices, OPEC has not been able to take the next logical step — regulating production to insure continuing price increases. The price rises of the 1970s made it possible to avoid the production question since everybody was making money.

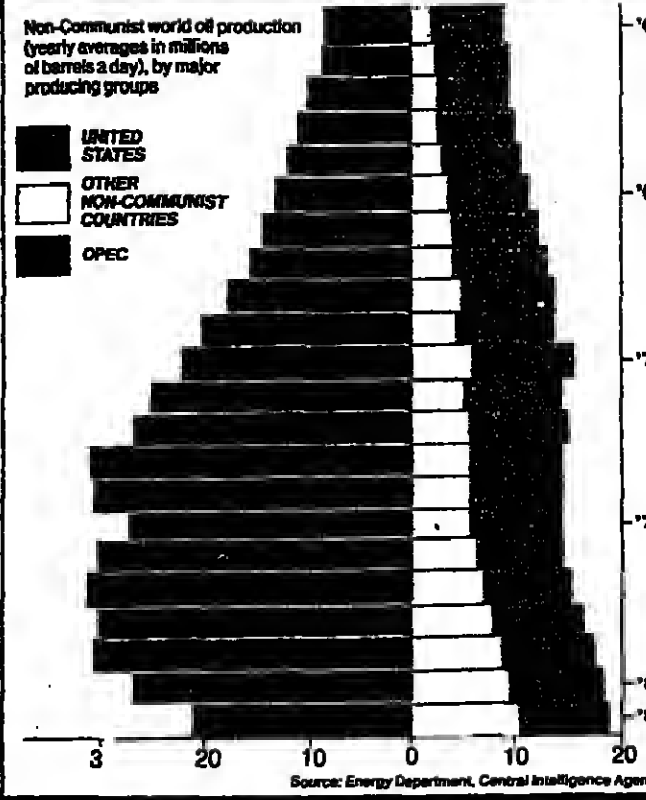
In addition, Saudi Arabia emerged as OPEC's "swing producer," demonstrating a willingness to adjust its enormous output to balance the world market.

Now, more and more analysts are convinced that Saudi Arabia can no longer hold the line by itself. The kingdom's recent move to lower its production ceiling temporarily by a million barrels a day, to 7.5 million, is seen as too little, too late. The current world oversupply is variously estimated at 3 million barrels a day, and Saudi Arabia is thought to be unwilling to attempt to erase it alone.

Thus OPEC is confronted at its coming meeting with its greatest need to coordinate basic policy, rather than simply being seen to do so. The other members of OPEC will press Saudi Arabia to cut production further to support the \$34 base price. The Saudis, in turn, will press others to share the cut, and perhaps also to cut prices.

In a sense, OPEC's survival may hinge on its ability to become the cartel it has never been.

The Shifting Pattern of World Oil Production



Commodity Brokers Fight Morgan Bid to Sell Futures

By Kenneth B. Noble

New York Times Service

WASHINGTON — A plan of J.P. Morgan & Co. for the first bank-owned brokerage concern to trade in financial futures has encountered opposition from some commodity brokers who fear that Morgan and other banks may lure away their customers.

Morgan has already set up financial futures operations for the company's own account through its Morgan Futures Corp., a subsidiary formed last May.

The Federal Reserve Board is expected to rule soon on the proposal. If approved, Morgan Futures would act as a futures commission merchant and broker in bullion, foreign exchange and U.S. government securities.

The Futures Industry Association, which represents brokerage firms that trade on the 11 U.S. commodity futures exchanges, has objected to Morgan's plan. Brokers complain that banks would have an unfair competitive advantage over the brokerage industry because banks could offer loans to financial futures customers at favorable terms.

"It's not that the industry doesn't believe in free and open competition," said Howard A. Stoller, a former FIA chairman. "But the banks are the primary supporters of futures commission merchants, and we don't feel that the people who support us financially should be coming in as our chief competitors. It has the aspect of being a monopoly." A futures commission merchant accepts orders from customers to buy and sell futures contracts.

Morgan Futures does not hold positions for itself, but it executes orders primarily for Morgan Guaranty Trust, Morgan's com-

mercial bank unit. If the application is approved by the Fed, Morgan Futures would be able to perform these services for other clients as well.

The interest of banks in becoming financial futures brokers is seen in the industry as a natural extension of their expanding participation in the futures markets that started in Chicago in the 1970s. In addition to Morgan, Bankers Trust has applied recently to offer financial futures services.

"This is a strictly economic decision," said Laurence W. Burger, managing director for Morgan Futures. "We determined that we could execute and clear these contracts for a lower total cost than the bank was paying to outside brokers. Once an institution reaches a certain volume of trading, it can be more cost-effective to broker your own."

Rapid Growth

In recent years, financial futures have begun to dominate commodity exchanges that had been primarily forums for speculation in farm and industrial commodities.

Some futures industry officials have argued that banks lack the experience to trade in the volatile financial markets.

William A. DeRonne, a financial futures specialist at Staley Commodities in Chicago, said: "I think it's a good idea that the banks are getting in and adding legitimacy to the market, but I think they underestimate the complexities of setting up a commodities shop. It would be one thing if they were to go out and buy a small commodity firm and let them handle all the business, but to get in themselves is a mistake. They have enough difficulty in understanding the banking business."

U.S. Firms See Japan as Project Site

The Associated Press

NEW YORK — U.S. manufacturing companies are increasing their investment in Japan despite the soft economy and trade friction between the two countries, according to a Conference Board report on foreign investment released Wednesday.

Japan was the site of 27 new projects in 1981, up from 18 the previous year. That compared with 22 investments in France in 1981, 20 in Britain and 18 in Ireland.

"U.S. companies are obviously not waiting for a resolution of trade conflicts between the United States and Japan to attack the Japanese market," said James Greene, executive director of the Conference Board's international business program. "Japan is clearly being viewed as a promising investment site."

The business-sponsored research group said total worldwide investments by U.S. manufacturers fell to 227 in 1981, down slightly from 252 in 1980. Reported dollar figures on the 1981 investments totaled nearly \$13 billion. The Conference Board includes only projects involving 50 percent or more ownership by U.S. parent companies.

It said Western Europe continued to be the most popular investment site, with 47 percent of all U.S. manufacturing investments last year, up from 44 percent in 1980. About 19 percent were in Asia, 20 percent in Canada and 7 percent in Latin America.

Among industries, chemical and allied products accounted for 28.6 percent of the investments, non-electric machinery 15.9 percent and electrical-electronic equipment 12.3 percent.

Zimbabwe Moves to Take Control of Minerals Marketing

New York Times Service

SALISBURY — Zimbabwe, which for years has depended on U.S., British and South African companies to market its mineral resources, is on the verge of taking over responsibility for the sales.

Parliament is expected to pass a measure soon that would set up a government marketing board to sell all of the country's 40 minerals except gold. Mineral sales account for more than 50 percent of the export earnings. In 1981, minerals brought in more than \$300 million in foreign currency, of which the country is chronically short.

The international and domestic business communities are fearful about the possible effects of the bill, which has been strongly opposed by the white Republican Front minority.

The legislation is viewed as one of Prime Minister Robert Mugabe's first steps in creating a mixed economy, combining his socialism with the capitalist system he inherited. With passage of the legislation, the government would participate directly in the mining sector by becoming the sole agent for the country's minerals.

The government would have the power to control the size of the companies' stockpiles and therefore indirectly to control their levels of production.

Zimbabwe's mining industry is dominated by Anglo-American Corp. of South Africa, Rio Tinto Zinc and Lonrho of Britain and Union Carbide of the United States.

French Prices 1% Higher

Readers

PARIS — French consumer prices rose an estimated 1 percent in February after a similar increase in January, the National Statistics Institute said Wednesday. February's increase left prices 13.9 percent higher than a year earlier.

States. They have opposed the legislation vociferously.

The government said the legislation was necessary to halt the practice by local subsidiaries of selling their minerals to their parent companies at less than competitive international prices, thereby avoiding export taxes and depriving Zimbabwe of foreign currency.

The Socialist aspect of the legislation is what the minority white members of Parliament have focused on in the debate. Ian Smith, who was Prime Minister under minority rule, attacked the bill, saying he believed the multinational corporations could make the minerals more effectively.

Before black rule 21 months ago, the white Rhodesian government set several precedents concerning the state marketing of commodities. The country's gold production, which amounts to 12 tons annually and makes Zimbabwe the world's seventh-largest producer, is marketed completely by the country's central bank. Ag-

U.S. Extends Steel Probe

Readers

WASHINGTON — Commerce Secretary Malcolm Baldrige Wednesday extended to June 10 from April 6 the deadline for his department to investigate 37 cases in which U.S. steelmakers have charged that foreign steel is being subsidized illegally for sale in the United States.

agricultural marketing boards buy all of the country's grain, meat and dairy products at fixed prices and sell them.

And from 1965 to 1980, when international sanctions were in force against the country, the Rhodesian government set up a system, known as Univet, that marketed the country's chrome and lithium.

"Ian Smith had just such a marketing authority, and there were no noises about Univet," said Secretary of Mines Christopher Ushewokunze, who has been working on the mineral legislation for 14 months. He said that the business community's fears of a quick and disastrous government takeover of the sale of the minerals were unfounded.

"We will proceed carefully, step by step, mineral by mineral, as we learn our way," Mr. Ushewokunze said. "We are aware we have a lot to learn. The growth of our marketing will depend on our selling capability. We don't want to lose our international markets. We will continue to involve our producers where they have competitive markets."

Mr. Ushewokunze said that before drafting Zimbabwe's bill he had studied the state mineral marketing agencies of several other countries, such as Zambia, Peru and Zaïre. But business critics say that it is just such examples that do not bode well for Zimbabwe's entry into mineral sales.

CUT THE THROAT OF INFLATION

GUARANTEED PERMANENT BUILDING SOCIETY OF GIBRALTAR

Give you the opportunity to beat inflation by investing in term shares guaranteed on 1st mortgage on carefully valued properties.

TAX FREE	1 YEAR	3 YEARS
U.S. \$.....	16.50	17.00
Swiss Fr.	9.50	9.75
D.M.	12.00	12.25
£ St.	15.75	16.50
F.Fr.	18.25	18.50

Write to manager: Guaranteed Permanent Building Society, P.O. Box 389, Gibraltar. Tel: 72 082, Telex: 2212.

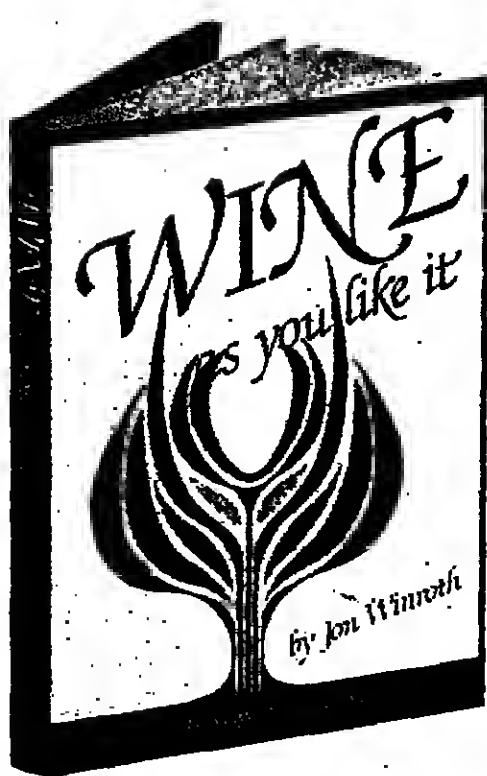
INTEREST paid yearly (half yearly, quarterly or monthly at a lower rate) WHEREVER you state, TAX FREE.

COMPLETE CONFIDENTIALITY GUARANTEE: 1st mortgage on carefully valued properties in rapid development areas.

BANK GUARANTEE can be provided (however, at the investor's cost 0.5 to 2%). No deductions of source.

«Don't let those wine stewards push you around!»

Jon Winroth tells you how to beat them at their own game in the Herald Tribune's lively new wine book



A publication from the book division of the INTERNATIONAL Herald Tribune

Wine as you like it

U.S. \$18 or equivalent in any convertible European currency—plus postage:
in Europe, please add \$1.50 or equivalent for each copy;
outside Europe, please add \$4 or equivalent for each copy.

Complete and return this coupon with your check or money order to: International Herald Tribune, Book Division, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France.

Please send me _____ copies of WINE AS YOU LIKE IT.

Name: _____
Address: _____
City and Code: _____
Country: _____

This announcement appears as a matter of record only.

AGRIGENETICS RESEARCH ASSOCIATES LIMITED

(A limited partnership managed by a subsidiary of Agrigenetics Corporation.)

\$55,000,000
of limited partnership interests

A financing to sponsor product-oriented research and development in cellular and molecular biology with the intent of creating new and improved agricultural crop seeds, hybrids, varieties, and agrobiological compounds.

Our firm structured and arranged the private placement of limited partnership interests.



Oppenheimer & Co., Inc.

Member New York Stock Exchange
New York, Chicago, Ft. Lauderdale, Los Angeles, Houston, London
MEMBER SIPC

Mahres Sweep Giant Slalom

The Associated Press
BAD KLEINKIRCHHEIM, Austria — Steve Mahre edged his twin brother Phil in the United States a one-two sweep in a World Cup giant slalom ski race here Wednesday.

Finishing seven-tenths of a second ahead of his brother, Steve Mahre — the world giant slalom champion — was timed in two minutes, 34.16 seconds for two runs.

"I have to admit that he's skiing well right now," said Phil, who earlier this winter clinched his second straight overall World Cup title.

The Mahres were followed by Pirin Zurbirriggen of Switzerland (2:34.71) and Marc Girardelli of Luxembourg (2:34.99).

The race was held under sunny skies and watched by about 5,000 fans.

"I'm very happy to have just-

ified my victory in the world championships in this event," said Wednesday's winner. "It proved that I did not win the world title by chance."

He had the lead after the first heat, but Phil stormed back in the second and nearly overtook him.

Phil complained afterward that the first heat had "been set poorly." Austrian trainer Alfred Matt set 60 flags on the first course and U.S. Coach Tom Kelly set 55 on the second.

Phil Mahre and Ingemar Stenmark of Sweden lead in cup giant slalom points with 100 each. To add additional points, Mahre needed to win Wednesday and Stenmark had to register at least a fifth.

But Stenmark, rated the best giant slalom skier in the world, was 19th after the first heat and finished 17th overall — 3.37 seconds behind the winner.

One official remarked of Stenmark that "the season is nearing its end, he has completely lost his rhythm. He skied without stamina, without being really aggressive."

Reflected Stenmark: "I don't know what is wrong with me. I just can't find any motivation in the races."

Two more cup giant slalom races are scheduled, for Kranjska Gora, Yugoslavia, and Montgenève, Italy.

Men's Giant Slalom
 1. Steve Mahre, U.S.A., 2:34.16
 2. Phil Mahre, U.S.A., 2:34.71
 3. Pirin Zurbirriggen, Switzerland, 2:34.99
 4. Marc Girardelli, Luxembourg, 2:35.01
 5. Hans Enn, Austria, 2:35.06
 6. Jean-Luc Fournier, Switzerland, 2:35.27
 7. Alex Gherghel, Italy, 2:35.38
 8. Andreas Wenzel, Liechtenstein, 2:35.44
 9. Martin Högl, Switzerland, 2:35.49
 10. Gerhard Jäger, Austria, 2:35.49
 11. Jacques Lauer, Switzerland, 2:35.56
 12. Stefan Kriebel, Austria, 2:35.56
 13. Wolfgang Othmar, Austria, 2:35.57
 14. Joris Holmboe, Norway, 2:35.58
 15. Bruce Hadden, Italy, 2:35.74



Steve Mahre

"I did not win the world title by chance."

Criticized Masters Tennis Tournament Will Change Format

By Neil Andrus
 New York Times Service

NEW YORK — Stung by obvious flaws and continued criticism of its eight-player, round-robin format, the Masters tennis tournament will switch to a 12-player single-elimination event for 1983.

Ray Benton, tournament director for the \$400,000 men's competition, confirmed Tuesday that the Men's International Professional Tennis Council had approved a recommendation from the tournament committee and its sponsor

for the revised format. Begun as a season-ending event in 1970, the masters adopted the two-group, round-robin concept in 1972.

"We were looking for something that was better than a straight eight-man tournament," Benton said. "I feel the masters is the fourth most important title in tennis, behind Wimbledon, the U.S. Open and the French Open. It needs something special. We were looking for a way to have a title and still reward for performances throughout the year, and this format will achieve that."

Benton said the new format would work as follows: The top four finishers in the season-long grand prize would receive byes into the quarterfinals.

The remaining eight players would meet on the opening two nights to settle the last four spots in the quarterfinals.

"It's a step in the right direction," said Marshall Happer, administrator of the nine-member pro council. Tuesday. "It's more akin to tournament tennis than the round-robin and will eliminate the

problems of the past where some matches meant nothing."

Most of the previous problems in the masters stemmed from the round-robin format, where players admittedly "tanked" or lost matches on the final day of the round-robin, either because they had already qualified for the semifinals and could predetermine opponents, or because they had been eliminated from the competition.

Last January, after having won his first two matches, John McEnroe was mistakenly informed that he had won his group. McEnroe

lost his last round-robin match to Eliot Teltscher, lost the group title and \$30,000 to Teltscher and then was beaten by Ivan Lendl, the eventual champion, in the semifinals.

Benton said there had been some lingering sentiment for the round-robin among some council members because of its "special matches and drama" but that the "high-risk format" created excessive hazards.

The tournament committee ruled out the double-elimination format, he said, because of the confusing format and the possibility of a player's having to face someone twice before the final.

A straight 16-player draw would have "diluted the quality of the field," Benton added.

"I think we've covered all the bases this time," he said. "From a promotional standpoint, we can still announce our first-round matches in advance and also announce in advance seeds versus first-round winners."

Benton said no decision had been reached on whether to expand the officiating crews for next year's event. "That's a decision between the umpires and tour supervisors," he said.

Meanwhile, the United States Tennis Association announced that more than \$1.5 million, a record, would be awarded for the 1982 U.S. Open championships at the National Tennis Center from Aug. 31 through Sept. 12.

The men's and women's singles champions each will receive \$90,000.

For the first time in a grand slam event, prize money also will be awarded in qualifying rounds.

Up for Grabs

"Every crew assignment is up for grabs," said Brock, "including the appointment as Crusader's skipper."

The United States has successfully defended the cup through 25 challenges spanning 129 years.

The 1983 America's Cup, in addition to Canada, already drawn entries from England, France, Sweden, Italy and Australia.

at the moment and we have 10 provinces in Canada," he said. "We hope to get our financial support on a wide basis."

"I think we've covered all the bases this time," he said. "From a promotional standpoint, we can still announce our first-round matches in advance and also announce in advance seeds versus first-round winners."

Benton said no decision had been reached on whether to expand the officiating crews for next year's event. "That's a decision between the umpires and tour supervisors," he said.

Meanwhile, the United States Tennis Association announced that more than \$1.5 million, a record, would be awarded for the 1982 U.S. Open championships at the National Tennis Center from Aug. 31 through Sept. 12.

The men's and women's singles champions each will receive \$90,000.

For the first time in a grand slam event, prize money also will be awarded in qualifying rounds.

Canadians Taking Early Aim at America's Cup

By Orval Jackson
 United Press International

PALMETTO, Fla. — A Canadian syndicate mounting a serious bid to wrest the America's Cup away from the United States in 1983 has moved its operations to the warm waters of Tampa Bay for intensive training.

The crew's goal is to restore "Canadian confidence and pride."

The syndicate — Canada's America's Cup Challenge, Inc. — has tapped retired Canadian Rear Adm. Jeffrey V. Brock as vice president and director of operations and already has about 30 young Canadian sailors in training for that country's first challenge of the America's Cup since 1881.

The Canadian 12-meter chal-

lenger still is being designed by Bruce Kirby, designer of the popular Laser class.

But it already has been named: Crusader.

The crew's goal is to restore "Canadian confidence and pride."

The syndicate — Canada's America's Cup Challenge, Inc. — has tapped retired Canadian Rear Adm. Jeffrey V. Brock as vice president and director of operations and already has about 30 young Canadian sailors in training for that country's first challenge of the America's Cup since 1881.

The Canadian 12-meter chal-

lenger still is being designed by Bruce Kirby, designer of the popular Laser class.

But it already has been named: Crusader.

The crew's goal is to restore "Canadian confidence and pride."

The syndicate — Canada's America's Cup Challenge, Inc. — has tapped retired Canadian Rear Adm. Jeffrey V. Brock as vice president and director of operations and already has about 30 young Canadian sailors in training for that country's first challenge of the America's Cup since 1881.

The Canadian 12-meter chal-

lenger still is being designed by Bruce Kirby, designer of the popular Laser class.

But it already has been named: Crusader.

The crew's goal is to restore "Canadian confidence and pride."

The syndicate — Canada's America's Cup Challenge, Inc. — has tapped retired Canadian Rear Adm. Jeffrey V. Brock as vice president and director of operations and already has about 30 young Canadian sailors in training for that country's first challenge of the America's Cup since 1881.

The Canadian 12-meter chal-

Walker Will Not Challenge NFL's Undergraduate Rule

From Agency Dispatches

ATHENS, Ga. — Herschel Walker, the two-time all-American tailback from the University of Georgia, said last Tuesday he has decided for the moment against challenging the National Football League rule prohibiting the drafting of undergraduates.

His decision means the 6-foot-1, 222-pounder will remain at Georgia to play football next fall, his junior season.

But Walker did not rule out a possible future challenge and would not be pinned down on whether he would remain at Georgia after the 1982 season. "I never try to predict the future," he said when asked at a news conference about a senior year.

"I said the doors are open. Someone may challenge it. I will play my junior year at Georgia."

Walker said he thought he would have won had he taken the NFL to court. "I still feel the rule is unconstitutional. I don't think I would have brought it up if I didn't think I could win. I feel if anyone challenges the rule they will win."

Walker said the biggest factor prompting him to consider challenging the rule was his belief that the rule violated his rights.

"This was the feeling I had," he said. "This is the land where you have the right to decide things for yourself. It seemed like I didn't have the right to do that under the rule."

"I Don't Know What Money Is Yet"

"I think I can play in that league," he said, "but I don't think I'm prepared mentally to play in the NFL at this time. I'm a little young to be stepping into a field I'm not ready for yet."

He added, "Everyone thought I was out for the money, but I don't know what money is yet."

Said Jim Heffernan, the NFL public relations director: "He's made his decision and we wish him continued success."

On his 20th birthday two weeks ago, Walker had said, after discussing the situation with National Collegiate Athletic Association officials and attorneys, there was a 70-30 chance he would contest the rule.

Walker said he never wanted to play in the NFL before his college eligibility ran out but wanted the right to play professional football before his college class graduated.

He said Tuesday that he didn't want to interfere with the system "designed to be the best for the majority of people involved."

"By challenging the rule, I think it could have some detrimental effects, and staying at Georgia will be the best for me in the long run," said Walker, who has rushed for 3,741 yards and 35 touchdowns during his two collegiate seasons.

Runner-up for the 1981 Heisman Trophy to Marcus Allen of Southern California, Walker said he made up his mind Sunday. "I discussed the situation with my family and they are in agreement with my decision."

Commented Georgia Coach Vince Dooley: "Needless to say, I'm very pleased — for a lot of reasons."

"I think it is in the best interest of college football and the college-pro relationship we now have. I'm pleased for Herschel and I'm pleased for Georgia."

Dooley said Walker was "one of the rare exceptions" who would be able to jump to the NFL as an underclassman. But he said if the NFL rule is overturned, "I think it would hurt many other players who are not physically or mentally able to take on pro football at an early age."

Walker, who turned down a million-dollar offer from Montreal of the Canadian Football League after his freshman year, was an instant success at Georgia. He led the Bulldogs to their first national championship in 1980 with a 12-0 record and a Sugar Bowl victory over Notre Dame.

Walker helped Georgia in a 10-2 mark last season, including a regular-season loss to Clemson, which succeeded the Bulldogs as the national champion, and a Sugar Bowl loss in Pittsburgh.

Walker gained 1,616 yards as a freshman, breaking the NCAA mark set by Tony Dorsett, and scored 15 touchdowns. He scored 20 more touchdowns in his sophomore season and ran for 1,891 yards.

Walker Will Not Challenge NFL's Undergraduate Rule

From Agency Dispatches

ATHENS, Ga. — Herschel Walker, the two-time all-American tailback from the University of Georgia, said last Tuesday he has decided for the moment against challenging the National Football League rule prohibiting the drafting of undergraduates.

His decision means the 6-foot-1, 222-pounder will remain at Georgia to play football next fall, his junior season.

But Walker did not rule out a possible future challenge and would not be pinned down on whether he would remain at Georgia after the 1982 season. "I never try to predict the future," he said when asked at a news conference about a senior year.

"I said the doors are open. Someone may challenge it. I will play my junior year at Georgia."

Walker said he thought he would have won had he taken the NFL to court. "I still feel the rule is unconstitutional. I don't think I would have brought it up if I didn't think I could win. I feel if anyone challenges the rule they will win."

Walker said the biggest factor prompting him to consider challenging the rule was his belief that the rule violated his rights.

"This was the feeling I had," he said. "This is the land where you have the right to decide things for yourself. It seemed like I didn't have the right to do that under the rule."

"I Don't Know What Money Is Yet"

"I think I can play in that league," he said, "but I don't think I'm prepared mentally to play in the NFL at this time. I'm a little young to be stepping into a field I'm not ready for yet."

He added, "Everyone thought I was out for the money, but I don't know what money is yet."

Said Jim Heffernan, the NFL public relations director: "He's made his decision and we wish him continued success."

On his 20th birthday two weeks ago, Walker had said, after discussing the situation with National Collegiate Athletic Association officials and attorneys, there was a 70-30 chance he would contest the rule.

Walker said he never wanted to play in the NFL before his college eligibility ran out but wanted the right to play professional football before his college class graduated.

He said Tuesday that he didn't want to interfere with the system "designed to be the best for the majority of people involved."

"By challenging the rule, I think it could have some detrimental effects, and staying at Georgia will be the best for me in the long run," said Walker, who has rushed for 3,741 yards and 35 touchdowns during his two collegiate seasons.

Runner-up for the 1981 Heisman Trophy to Marcus Allen of Southern California, Walker said he made up his mind Sunday. "I discussed the situation with my family and they are in agreement with my decision."

Commented Georgia Coach Vince Dooley: "Needless to say, I'm very pleased — for a lot of reasons."

"I think it is in the best interest of college football and the college-pro relationship we now have. I'm pleased for Herschel and I'm pleased for Georgia."

Dooley said Walker was "one of the rare exceptions" who would be able to jump to the NFL as an underclassman. But he said if the NFL rule is overturned, "I think it would hurt many other players who are not physically or mentally able to take on pro football at an early age."

Walker, who turned down a million-dollar offer from Montreal of the Canadian Football League after his freshman year, was an instant success at Georgia. He led the Bulldogs to their first national championship in 1980 with a 12-0 record and a Sugar Bowl victory over Notre Dame.

Walker helped Georgia in a 10-2 mark last season, including a regular-season loss to Clemson, which succeeded the Bulldogs as the national champion, and a Sugar Bowl loss in Pittsburgh.

Walker gained 1,616 yards as a freshman, breaking the NCAA mark set by Tony Dorsett, and scored 15 touchdowns. He scored 20 more touchdowns in his sophomore season and ran for 1,891 yards.

Walker helped Georgia in a 10-2 mark last season, including a regular-season loss to Clemson, which succeeded the Bulldogs as the national champion, and a Sugar Bowl loss in Pittsburgh.

Walker gained 1,616 yards as a freshman, breaking the NCAA mark set by Tony Dorsett, and scored 15 touchdowns. He scored 20 more touchdowns in his sophomore season and ran for 1,891 yards.

Royals' Brett Ready to Jump Off Two-Year Roller Coaster

The Associated Press

FORT MYERS, Fla. — George Brett nearly broke them for the last time. "If everyone on that club would analyze himself and do the best he can do, or come close, no one in baseball could beat us."

In 1980, the bumper stickers

"You always enjoy things the most when you're doing them for the last time," says Brett, who drew boos after a couple of celebrated altercations with the press during a frustrating 1981.

"I want to hit .300, hit 20 or

more home runs and help our club win some games," says the Royals' batting star. "If everyone on that club would analyze himself and do the best he can do, or come close, no one in baseball could beat us."

In 1980, the bumper stickers

read "George Brett for President" as he fought to become the first player to hit .400 since Ted Williams' .406 of 1941.

Last year, Brett batted .314, swung a crutch at a photographer and got into an altercation with a sportswriter who wrote that he had taken a bat to a toilet in Minnesota.

"I can look back on last year and compare it to 1980," says Brett. "I did everything I could to work with the press in 1980. Then I mess up one time and they don't show me the courtesy I showed them."

The booing began in earnest when Brett came back from the strike and said he wasn't ready to play. The fans didn't listen when he explained he thought the season would not be resumed and that he wanted to enjoy his first summer off since 1969.

"Emotionally, I wasn't keyed up," he says. "People probably wanted to hear a different answer, but that's how I felt. I'm not smart enough to be a baseball player. I couldn't remember what I said."

"It was tough being booed in Kansas City and coming out of the

stadium and finding your backside cracked," adds Brett. "It really makes you wonder if people are really behind you."

Brett is ready to put all that behind him. As his 29th birthday approaches, he says he wants to find quiet 20 acres outside of Kansas City and build a home. No more singles scene, he says.

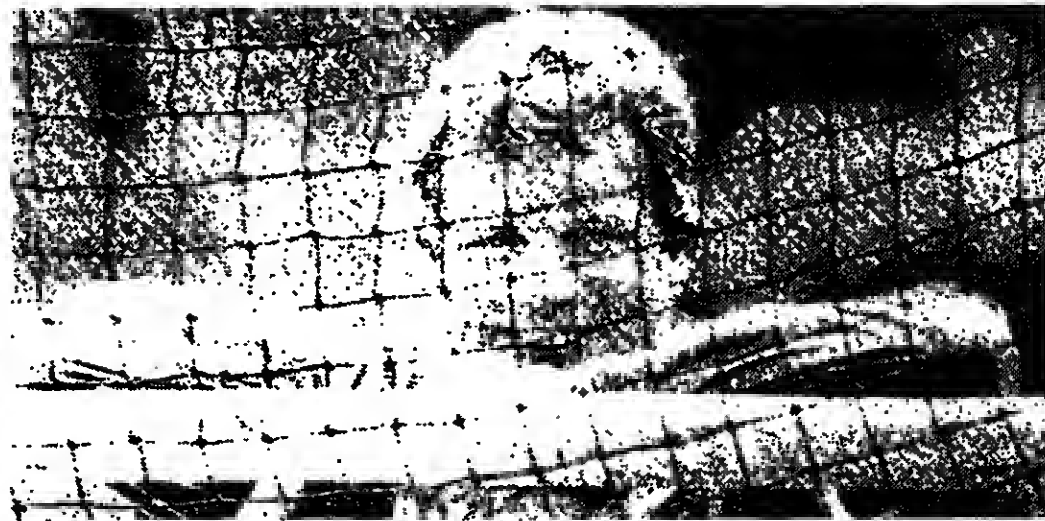
It's time to think about "taking the extra base and breaking up the double play," he says.

"I'm not Steve Garvey," says Brett, referring to the all-American image of the Los Angeles Dodgers first baseman. "If they want Steve Garvey, they're going to have to move to California."

"I am going to be me and do the things I have to do."

Exhibition Baseball

Thursday's Results
 New York (AL) 6, Chicago (NL) 3
 St. Louis (NL) 10, Philadelphia (NL) 6
 Cincinnati 5, Houston 1
 Kansas City 10, Montreal 1
 Atlanta 15, Baltimore 6
 Los Angeles 4, Detroit 2
 Pittsburgh 16, Milwaukee 1
 Toronto 7, Boston 2
 Texas 5, New York (AL) 2
 Chicago (NL) 12, Seattle (NL) 2



A relaxed George Brett awaits his turn in the batting cage at the Royals' camp in Fort Myers, Fla.

NBA Standings

EASTERN CONFERENCE

Team	W	L	Pct.	GB
Atlanta	49	15	.764	0
Philadelphia	47	17	.734	2
New Jersey	33	32	.500	10 1/2
Washington	31	32	.492	12 1/2
New York	27	37	.423	17

Central Division

Team	W	L	Pct.	GB
Minneapolis	44	21	.677	0
Portland	42	23	.646	2
Detroit	38	27	.583	4
Indiana	30	36	.455	14
Chicago	28	38	.423	16
Cleveland	14	48	.226	26 1/2

WESTERN CONFERENCE

Team	W	L	Pct.	GB
San Antonio	49	15	.764	0
Houston	47	17	.734	2
Denver	35	30	.538	8 1/2
Dallas	28	44	.391	15 1/2
Kansas City	22	48	.309	21 1/2
Utah	17	46	.269	26 1/2

Pacific Division

Team	W	L	Pct.	GB
Los Angeles	42	23	.646	0
Seattle	42	23	.646	0
Phoenix	33	32	.500	9 1/2
Golden State	32	32	.500	10 1/2
Portland	31	31	.500	11 1/2
San Diego	15	47	.244	27 1/2

Thursday's Results

Team	W	L	Pct.	GB
San Antonio 101, New York 91 (All-Star)				
Golden State 104, Dallas 94 (All-Star)				
San Antonio 101, New York 91 (All-Star)				
Golden State 104, Dallas 94 (All-Star)				

Indiana 101, Seattle 94 (101-94, 101-94, 101-94, 101-94)

Portland 101, Detroit 94 (101-94, 101-94, 101-94, 101-94)

Phoenix 101, Houston 94 (101-94, 101-94, 101-94, 101-94)

Golden State 101, Dallas 94 (101-94, 101-94, 101-94, 101-94)

Portland 101, Detroit 94 (101-94, 101-94, 101-94, 1

